

Universe Group plc

Report and Financial Statements

Year Ended

31 December 2016

Company Number 02639726

Universe Group plc

Report and financial statements for the year ended 31 December 2016

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Universe Group plc

Report and financial statements
for the year ended 31 December 2016

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R Goddard (Chairman)
J M J Lewis
M Coster
R J Smeeton
A R Blazye
B K Tank

SECRETARY

R J Smeeton

REGISTERED OFFICE

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Southampton, SO18 2RX

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SOLICITORS

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Eastleigh, SO53 3LG

BANKERS

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Southampton, SO14 2JF

REGISTRARS

Capita Registrars
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REGISTERED NUMBER

02639726

AUDITORS

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Southampton, SO14 3TL

Universe Group plc

Chairman's Statement for the year ended 31 December 2016

Introduction

The Group made very encouraging operational progress during 2016, particularly with product development. However, as previously reported, Universe's financial performance was affected by delays in certain planned customer deployments. As a result, revenue is 3.0% lower year-on-year at £19.71m (2015: £20.33m) and profit before tax, whilst up 20.0% to £2.01m, is somewhat behind our original expectations. Statutory diluted earnings per share rose by 20.6% to 0.76p (2015: 0.63p). Gross profit margin is up to 34.8% from 33.1% in 2015 and gross profit increased to £6.87m (2015: £6.74m), reflecting careful cost control.

The delayed large scale customer deployments are now progressing towards implementation, although the Company now expects an extended schedule. The significant investment we have made in our next generation products provides a solid platform from which to drive future growth.

Overview

The major focus of 2016 was product development and readying our next generation of point-of-sale, back office and head office software products for deployment with new customers. These deployments include three large scale customer implementations with Conviviality plc, the UK's largest franchised chain of off-licence and convenience stores, a leading grocery chain, and a leading independent forecourt operator. We also continued the successful deployment of Gempay across the petrol forecourt industry, with new installations into one of the top independent fuel groups, and onto the forecourt of a leading oil brand.

Reflecting the delays in the timing of certain customer roll-outs, sales over the year were weighted significantly towards the second half. Sales in the second half were 17.8% ahead of the first half at £10.66m.

In the second half, we developed additional feature-rich products that will be attractive to both existing and new customers, and will be investing further in our products in 2017. A particular focus will be building out our retail technology offering, and we see this being achieved through a combination of in-house product development, complementary 'bolt-on' acquisitions and collaboration with partners.

We are pleased with the increasing awareness among customers of the Group's products (sold under our htec brand) in the convenience store market and we intend to capitalise on this over the coming year.

Staff

2016 was another busy year for the Group as we moved through the phases of developing products, winning contracts and deploying new solutions for existing and new customers. Again, we thank all our staff for their hard work, creativity and dedication over the year.

The Board would also like to extend its very best wishes to Billy Tank, our Sales and Marketing Director. As announced in February, he is now taking an extended leave of absence for medical reasons and, for the time being, his various responsibilities are being fulfilled by his senior colleagues.

Summary and outlook

The Group finished the year with a significantly enhanced product offering and with further product development underway. Large scale roll-outs of our next generation point-of-sale, back office and head office solutions are underway and scheduled, albeit now that timetables have extended. Other new products, such as our cloud-based digital advertising product, self-checkout tills and tobacco dispensing technology, have been deployed with their first customers. The successor to our market-leading card payment terminal will also be launched later this year.

We remain very encouraged by market interest in our solutions and this bodes well for 2017 and beyond.

Robert Goddard
Chairman
3 April 2017

Universe Group plc

Strategic report for the year ended 31 December 2016

The Directors present their Strategic Report for the year ended 31 December 2016.

Principal activity

The Group 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 can be provided as a comprehensive, fully-managed offering or as discrete products, according to customer needs.

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

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

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

Organisational overview

The Group's business is directed by the Board and managed by the Executive Directors, led by Chief Executive, Jeremy Lewis. A Senior Management Team, comprising the Chief Executive, the Chief Financial Officer, the Sales and Marketing Director and Senior Executives, is responsible for Operations, Human Resources, Development and Data Centres.

There are three Non-executive Directors.

The main operating entity is htec Limited.

Strategy and business plan

The Board's objective is to increase shareholder value by growing revenue and profits. We intend to achieve this by being the prime solutions partner to retailers in our chosen verticals, supplying them with our market-leading, innovative systems for point-of-sale, payment and loyalty operations. These IT 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, field force and helpdesk professionals, remains a core part of what we do.

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Strategic report for the year ended 31 December 2016 (*continued*)

Opportunities to acquire new businesses are reviewed on a regular basis, in particular where they may assist in extending our addressable markets or add complementary technology or broaden our geographic reach. During 2016, the Board considered three opportunities in detail but did not further progress them since they did not meet our value criteria.

Business and product development

2016 has been a year of preparing our next generation products for the customers we have secured for them. Pilots have been running with these customers throughout the year, and significant roll-outs are starting, although the commencement of some of these large-scale implementations has been delayed. We are pleased to report that over 70 sites are now using the new products. In the year, we have also increased our sales and marketing effort so that we are well placed for sales to our core markets of petrol forecourts and convenience store.

As part of our ongoing product development, we completed the upgrade of our back office system ("BOS"), launching the new product as 'Callisto', and also enhanced our head office system ("HOS"), launching it as 'Jupiter', for widespread roll-out. We also commenced work on the third generation of our Gempay payment solution. We expect to launch this in the second half of 2017 and already are experiencing strong customer interest.

As part of our strategic ambition to build our existing market presence, we launched several add-on products, which will be used to enhance our core point-of-sale ("POS"), BOS and HOS offering. These include:

- locaste, a cloud-hosted content management system that provides central control of store-based media screens and allows reactive advertising by the retailer;
- self-checkout solutions from the market-leading suppliers. These are fully integrated with our point-of-sale systems and provide retailers with greater flexibility in the way they serve their customers;
- tobacco-dispensing units linked to our point-of-sale system. These will greatly facilitate the sale of tobacco in unbranded packaging and help to overcome a considerable challenge for all retailers in 2017 as the new plain packaging legislation begins to have an impact.

Interest in our enhanced product suite is high and we expect further opportunities to expand our customer base in 2017 as well as to sell new, add-on solutions to our existing clients.

Financial review

The 3.0% decrease in sales to £19.71m in 2016 (2015: £20.33m) principally reflected delays in certain large scale customer implementations as previously reported. We saw strongest growth in data services, where revenue increased by 11.0% to £4.00m, following the addition of third party network management as part of our integrated service provision. Revenue from service and installations grew by 4.5% to £7.22m. In large part this was driven by the success of the existing Gempay product, with two more significant customers added to the estate in 2016. As Gempay strengthened its position as the payment terminal of choice for the UK forecourt market, we ended the year serving 22% more sites than at the close of 2015.

Revenue from software and hardware licences decreased by 14.9% to £4.66m. This mainly reflected the end of the Outside Payment Terminal 'refresh' programme that we had been implementing for a major customer through 2014 and 2015.

Software development was focused largely on preparing the next generation products for roll-out and consequently revenue from this business stream reduced by 11.7% to £3.84m.

Despite the decrease in sales, gross profit increased to £6.87m (2015: £6.74m), with gross margins improving to 34.8% (2015: 33.1%). The drivers of this were the scale benefits arising from growth in our service revenues and from the efficiency improvements that we achieved in the software development services we provide to one of our major loyalty scheme customers.

Administrative expenses rose slightly to £4.83m (2015: £4.70m). This was largely due to increased spending on sales and marketing resource as we position the Group for growth and seek to capitalise on our investment in new products.

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Strategic report for the year ended 31 December 2016 (*continued*)

Operating profit for the year was stable at £2.04m (2015: £2.04m) and operating profit margin rose slightly to 10.4% (2015: 10.0%).

Net finance costs decreased significantly to £0.03m (2015: £0.36m). Of this, £0.28m resulted from adjustments to provisions for contingent consideration in both 2015 and 2016. Excluding these movements, net interest decreased by £0.05m to £0.12m as we continued to unwind our interest-bearing finance leases. These movements in provisions helped to increase the profit before tax by 20.0% to £2.01m (2015: £1.68m).

The tax charge of £0.18m was in line with the prior year (2015: £0.18m), reflecting similar levels of operating profit and the provision movements referred to above being non-taxable. Consequently, profit after tax rose by 22.3% to £1.84m (2015: £1.50m).

Accordingly, basic and diluted earnings per share respectively increased by 19.7% to 0.79p (2015: 0.66p) and by 20.6% to 0.76p (2015: 0.63p). Operating profit per share (see note 8), which strips out the impact of the fluctuations in net finance expense, decreased by 1.1% over the year to 0.88p (2015: 0.89p).

Cash flow and financing

Adjusted EBITDA (see note 2) decreased by 3.5% to £3.77m (2015: £3.91m).

Working capital requirements reduced the net cash inflow from operations to £2.36m (2015: £3.42m), as sales were somewhat concentrated in the final two months of the year.

Investment in product development was increased significantly in 2016 to £0.99m (2015: £0.61m). A large proportion of this was expended on preparing the next generation products, Jupiter and Callisto, for roll-out to specific new customers, as well as for sale more widely in the petrol and convenience store markets. We continued to develop the locaste content management system and this product is now in pilot with two customers. In addition, we refreshed all our Microsoft licenses by investing £0.69m in upgradeable, perpetual licenses. We used vendor finance, repayable interest-free over three years, to facilitate this.

The net cash inflow from operating activities helped to fund product development; a £0.40m investment in fixed assets (2015: £0.64m); a £0.35m payment of deferred and contingent consideration on the two recent acquisitions (2015: £0.28m), and £0.59m of finance lease capital repayments (2015: £0.48m).

Cash on the balance sheet at the year-end stood at £3.41m (2015: £3.38m).

Principal risks and uncertainties facing the Group

The Board believes that the principal risks facing the Group relate to:

- concentration of customers; three customers accounted for 54% of sales in 2016 (2015: 64%). Given this concentration, the loss of a major customer would result in a material reduction in turnover. We act to mitigate this risk by securing long-term contracts with customers wherever possible. We also seek to provide high service levels and innovative new products. In addition, we are focused on business initiatives designed to broaden the customer base;
- technology; the market demands continual improvements in functionality and competition from other suppliers exists. To offset these risks, the Group continues to invest significantly in improving the quality and functionality of its products. The objective is to increase the value of the Group's offering to customers and to ensure that we continue to provide market-leading products and services;
- maintaining bank and other approvals to allow the Group to operate as a payment service provider; attaining these approvals requires considerable committed resource and continuous product renewal. The Group is committed to maintaining these approvals, which provide another barrier to entry for competitors;

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Strategic report for the year ended 31 December 2016 (*continued*)

- significant ownership changes within the Group's target markets of petrol forecourt and convenience stores; major oil companies have withdrawn from retailing operations and both market sectors are seeing a degree of consolidation activity. This provides both an opportunity and a threat. The Group's response is to continue to develop market-leading products and to ensure they can be integrated as widely as possible with the other technologies used in petrol retailing and the convenience store sectors.

Key performance indicators (KPI's)

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

- Sales order inflow; order book 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 2016 was £13.1 million. For the reasons previously set out, this target was not achieved in 2016;
- Operating profit; each business area is monitored each month and management accounts are discussed at both Executive Team meetings and Board meetings. The Group operating profit margin percentage was budgeted at 10.0% for 2016. This was achieved in 5 out of 12 months;
- Performance against contracted service level agreements ('SLAs'); SLA performance is monitored on a weekly basis and discussed with customers at quarterly review meetings. An SLA performance of 98% was achieved in 2016 against SLA targets of 93%.

Summary

Over the last three years we have continued to build on our strong position in the petrol forecourt sector and have used our presence in this market to open up opportunities in the larger market of convenience stores. We continue to respond to the needs of our retail clients to help them maximise footfall and increase customer basket size and so help improve their profitability. Our product development, deployment and extensive support services are all geared to help achieve this. We believe that growth prospects for the Group continue to look positive.

Approval

The Strategic Report was approved by the Board on 3 April 2017 and signed on its behalf by:

Jeremy Lewis
Chief Executive Officer

Universe Group plc

Director's report for the year ended 31 December 2016

The directors present their report and the audited accounts for the year ended 31 December 2016.

Principal activities and future developments

The principal activities of the Group and its likely future developments are covered in the Strategic Report on pages 3 to 6

Going concern

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

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

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

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

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

Financial instruments

Information about the use of financial instruments by the company and its subsidiaries, and the Group's financial risk management policies is given in note 22.

Employees

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

Research and development

The company has a continuing commitment to a high level of research and development. During the year expenditure on research and development of £2,591,000 (2015 - £2,694,000) was charged to the Statement of Comprehensive Income. In addition, development costs of £993,000 (2015 - £612,000) were capitalised. Research and development in the year concentrated on the continued development of new Back Office and Head Office systems, and a cloud based content management platform.

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Director's report for the year ended 31 December 2016 (*continued*)

Dividends

The directors do not propose the payment of a dividend (2015 - £Nil).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 24. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

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

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

Directors' indemnities

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

Annual General Meeting

The resolutions to be processed at the Annual General Meeting to be held on 22 June 2017, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.

Substantial shareholdings

As at 29 March 2017 the company had been notified of the following substantial holdings in the ordinary share capital of the Company.

Shareholder	No. of ordinary shares	% of voting rights and issued share capital
Downing LLP	59,358,501	25.63
Ennismore Fund Management	24,870,751	10.74
Amati Global Investors	21,907,056	9.46
Alto Investments	12,722,541	5.49
B K Tank	11,804,257	5.10
River and Mercantile Asset Management	10,100,000	4.36
Barclayshare Nominees	9,411,854	4.06
City Asset Management	9,329,413	4.03

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Director's report for the year ended 31 December 2016 (*continued*)

Directors

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

R Goddard (Chairman)
J M J Lewis
M Coster
R J Smeeton
A R Blazye
B K Tank

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

	Ordinary shares of 1p each	
	2016 Number	2015 Number
R Goddard	1,184,000	1,184,000
J M J Lewis	-	-
M Coster	936,500	936,500
R J Smeeton	626,240	386,240
A R Blazye	100,000	100,000
B K Tank	11,804,257	15,304,257

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

Details of the director's share options are provided in the Director's remuneration report on page 15.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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Director's report for the year ended 31 December 2016 (*continued*)

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

Website publication

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

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

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

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

Auditors

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

Approval

The report of the directors was approved by the Board on 3 April 2017 and signed on its behalf by:

R J Smeeton
Director

Universe Group plc

Corporate Governance Report for the year ended 31 December 2016

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

The Board

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

Role of the board

During the year, Board meetings were held each month except August and each director serving at the time attended each Board meeting except for Mr Blazye who missed two meetings during the year due to personal commitments.

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

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

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

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

Non-executive directors

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

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

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Corporate Governance Report for the year ended 31 December 2016 (*continued*)

The Board as a whole

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

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

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

Membership of Board sub-committees

Malcolm Coster and Andrew Blazye are the members of the Remuneration and Nomination Committee. All three non-executive Directors are members of the Audit Committee. Where matters before a committee concerns one or other of these members, the member in question withdraws and is replaced by the executive directors.

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

Remuneration and Nomination Committee

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

1. Determine and agree with the Board the framework or broad policy for the remuneration of the Group's chief executive, chairman, the executive directors, the Company secretary and such other members of the executive management as it is designated to consider.
2. Approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes and determine the individual schemes and payments that apply to the executive directors.
3. Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used.
4. Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
5. Within the terms of the agreed policy and in consultation with the executive directors, as appropriate, determine the total individual remuneration package of each of the senior executives who report to the executive directors, including bonuses, incentive payments and share options, other share awards or other benefits.
6. Oversee any major changes in employee benefits structures throughout the Company or Group.

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Corporate Governance Report for the year ended 31 December 2016 (*continued*)

Audit Committee

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

1. Monitor the integrity of the financial statements, including the annual and interim reports; review the consistency of accounting policies; review whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments; review the methods used to account for significant or unusual transactions; review the clarity of disclosure in the Group's financial reports; and review all material information presented with the financial statements.
2. Review the effectiveness of the Group's internal controls and risk management systems, and to review and approve the statements included in the annual report concerning these.
3. Review the Group's arrangements for its employees to raise concerns about possible wrongdoing, and ensure these arrangements allow proportionate and independent investigation; and to review the Group's procedures for detecting and preventing bribery and fraud.
4. Consider and make recommendations in relation to the appointment, re-appointment and removal of the Group's external auditor; oversee the relationship with the external auditor; meet regularly with the external auditor, including at least once a year without management being present; review and approve the annual audit plan; review the findings of the audit with the external auditor; and review the effectiveness of the audit.
5. Review the operation of the Group's policies for Anti-bribery and Whistleblowing and recommend to the Board any changes to the policies or their operation.

Internal Controls

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

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

Communication with shareholders

Presentations by the chairman and executive directors of interim and full-year results are offered to all major shareholders. Other smaller shareholders are welcome to make contact with the company and wherever possible their concerns or questions are responded to by a director, in person.

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

On behalf of the board

Robert Goddard
Chairman
3 April 2017

Universe Group plc

Directors' Remuneration Report for the year ended 31 December 2016

The Remuneration Committee

The Remuneration Committee consists of Malcolm Coster and Andrew Blazye. The role of the Committee is to determine, on behalf of the Board, the Company's policy on executive directors' and other senior employees' remuneration, within set written terms of reference approved by the Board. The remuneration of the non-executive directors is approved by the Board of Directors. As Chairman of the Committee, I have been asked by the Board to report to you on all remuneration matters on its behalf.

Remuneration Policy

The remuneration policy of the Group is:

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

Other than as disclosed at note 32 and as shareholders, none of the Committee has any personal financial interest, conflicts of interest arising from cross-directorships or day to day involvement in running the business. The Committee makes recommendations to the Board. No director plays a part in any discussion about their own remuneration. The Remuneration Committee members are expected to draw on their experience to judge where to position the Group, relative to other companies and other group's rates of pay, when considering remuneration packages for executives. The Committee may use outside professional advice if they consider it necessary, and such advice was sought in this respect in 2015 from the remuneration consultancy H2glenfern Limited, who carried out a comparative study of executive remuneration in companies similar to Universe Group plc.

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

All of the executive directors have service contracts, which provide for notice periods of no more than one year. All the non-executive directors have service contracts, which provide for notice periods of three months.

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

All of the executive directors participate in EMI option schemes and two of the executive directors, together with two of the non-executive directors participate in unapproved option schemes. These options will vest only upon the achievement of set market prices for the shares of Universe Group plc, and will lapse if a) the directors leave employment for any reason other than a 'Good Reason' as defined within the scheme rules and b) at the end of the tenth anniversary of the Date of Grant. In addition, certain of the 2016 share option awards (as indicated below) include conditions requiring the Executive Directors to invest mandated amounts in the Ordinary Shares of the Company as a qualifying condition of the awards.

Universe Group plc

Directors' Remuneration Report for the year ended 31 December 2016 (continued)

Director's Detailed Emoluments

	Salary and fees £000	Benefits £000	Bonus £000	Pension £000	2016 £000	2015 £000
Executives						
J M J Lewis	170	12	-	17	199	254
R J Smeeton	120	7	-	13	140	180
B K Tank	120	14	-	8	142	88
Non-executives						
R Goddard	48	-	-	-	48	46
M Coster	31	-	-	-	31	31
A Blazye	30	-	-	-	30	20
	519	33	-	38	590	619

Directors' Share Options

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

The market price of the company's shares at the end of the financial year was 8.625p per 1p share (2015 - 8.75p per 1p share) and the range of market prices during the year was between 8.125p and 11.25p.

		At 1 January 2016	Granted	Exercised	Cancelled	At 31 December 2016	Exercise price	Vesting price
J M J Lewis	EMI	3,440,000	-	-	-	3,440,000	4.5p	9.5p
J M J Lewis	Unapproved	560,000	-	-	-	560,000	4.5p	9.5p
J M J Lewis	Unapproved	1,644,500	-	-	-	1,644,500	5.5p	9.5p
J M J Lewis	Unapproved	-	1,300,000	-	-	1,300,000	9p	13.5p
J M J Lewis	Unapproved*	-	1,866,000	-	-	1,866,000	9p	21p
J M J Lewis	Unapproved*	-	1,866,000	-	-	1,866,000	9p	31p
R Goddard	Unapproved	1,500,000	-	-	-	1,500,000	1p	5p
R Goddard	Unapproved	1,750,000	-	-	-	1,750,000	4.25p	6p
R Goddard	Unapproved	250,000	-	-	-	250,000	5.5p	9.5p
M Coster	Unapproved	875,000	-	-	-	875,000	1p	5p
M Coster	Unapproved	100,000	-	-	-	100,000	5.5p	9.5p
R J Smeeton	EMI	1,500,000	-	-	-	1,500,000	1p	5p
R J Smeeton	EMI	1,750,000	-	-	-	1,750,000	4.25p	6p
R J Smeeton	EMI	1,178,500	-	-	-	1,178,500	5.5p	9.5p
R J Smeeton	Unapproved	-	500,000	-	-	500,000	9p	13.5p
R J Smeeton	Unapproved*	-	717,000	-	-	717,000	9p	21p
R J Smeeton	Unapproved*	-	717,000	-	-	717,000	9p	31p
B K Tank	EMI	-	500,000	-	-	500,000	9p	13.5p
B K Tank	EMI*	-	717,000	-	-	717,000	9p	21p
B K Tank	EMI*	-	717,000	-	-	717,000	9p	31p
		14,548,000	8,900,000	-	-	23,448,000		

Universe Group plc

Directors' Remuneration Report for the year ended 31 December 2016 (*continued*)

* Options which include an investment requirement as a qualifying condition.

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

Director	Number of options	Exercise price	Vesting date	Date of grant
R Goddard	1,500,000	1p	18 December 2012	18 December 2012
R Goddard	1,750,000	4.25p	26 July 2016	26 July 2014
R Goddard	250,000	5.5p	28 October 2017	28 October 2015
J M J Lewis	3,440,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	560,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	1,644,500	5.5p	28 October 2017	28 October 2015
J M J Lewis	5,032,000	9p	* see below	18 January 2016
M Coster	500,000	1p	30 July 2013	30 July 2013
M Coster	125,000	1p	30 July 2013	18 December 2012
M Coster	250,000	1p	18 December 2012	18 December 2012
M Coster	100,000	5.5p	28 October 2017	28 October 2014
R J Smeeton	937,500	1p	30 July 2013	18 December 2012
R J Smeeton	312,500	1p	26 January 2015	18 December 2012
R J Smeeton	250,000	1p	18 December 2012	18 December 2012
R J Smeeton	1,750,000	4.25p	26 July 2016	26 July 2013
R J Smeeton	1,178,500	5.5p	28 October 2017	28 October 2014
R J Smeeton	1,934,000	9p	* see below	18 January 2016
B K Tank	1,934,000	9p	* see below	18 January 2016

* The options issued on 18 January 2016 have a vesting period of four weeks and one day after the announcement of the Company's results for the year ended 31 December 2018, during which period the vesting price condition must be met.

Interests in Shares

Interests in shares have been disclosed in the Directors' Report on page 9.

On behalf of the Board

Malcolm Coster

Chairman of the Remuneration Committee
3 April 2017

Universe Group plc

Independent auditor's report to the members of Universe Group Plc

We have audited the financial statements of Universe Group Plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Universe Group plc

Independent auditor's report to the members of Universe Group Plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Malcolm Thixton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

3 April 2017

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

Universe Group plc

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	Total 2016 £'000	Total 2015 £'000
Revenue	3,4	19,712	20,327
Cost of sales		(12,843)	(13,591)
Gross profit		6,869	6,736
Administrative expenses		(4,827)	(4,698)
Operating profit	2	2,042	2,038
Finance income	5	99	10
Finance expense	5	(131)	(373)
Profit before taxation	6	2,010	1,675
Taxation	7	(175)	(175)
Profit and total comprehensive income for the year		1,835	1,500
		Pence	Pence
Earnings per share			
Basic EPS	8	0.79	0.66
Diluted EPS	8	0.76	0.63

The notes on pages 24 to 61 form part of these financial statements.

Universe Group plc

Consolidated and company statement of changes in equity For the year ended 31 December 2016

Consolidated	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2015	2,203	4,588	12,716	2,269	(225)	(3,089)	18,462
Profit and total comprehensive income for the year	-	-	-	-	-	1,500	1,500
Issue of share capital	110	-	346	-	-	-	456
Share based payments	-	-	-	-	-	122	122
At 31 December 2015	2,313	4,588	13,062	2,269	(225)	(1,467)	20,540
At 1 January 2016	2,313	4,588	13,062	2,269	(225)	(1,467)	20,540
Profit and total comprehensive income for the year	-	-	-	-	-	1,835	1,835
Issue of share capital	3	-	-	-	-	-	3
Share based payments	-	-	-	-	-	116	116
At 31 December 2016	2,316	4,588	13,062	2,269	(225)	484	22,494

The notes on pages 24 to 61 form part of these financial statements.

Universe Group plc

Consolidated and company statement of changes in equity For the year ended 31 December 2016 (*continued*)

Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Profit and loss account deficit £'000	Total equity £'000
At 1 January 2015	2,203	4,588	12,716	145	(5,870)	13,782
Loss and total comprehensive expense for the year	-	-	-	-	(333)	(333)
Issue of share capital	110	-	346	-	-	456
Share based payments	-	-	-	-	122	122
At 31 December 2015	2,313	4,588	13,062	145	(6,081)	14,027
At 1 January 2016	2,313	4,588	13,062	145	(6,081)	14,027
Loss and total comprehensive expense for the year	-	-	-	-	(42)	(42)
Issue of share capital	3	-	-	-	-	3
Share based payments	-	-	-	-	116	116
Transfer between reserves	-	-	-	(145)	145	-
At 31 December 2016	2,316	4,588	13,062	-	(5,862)	14,104

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 24.

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

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

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

The translation reserve is used to record exchange differences arising from the translation of the financial statements of overseas operations which are now dormant and immaterial to the operations of the Group.

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

The notes on pages 24 to 61 form part of these financial statements.

Universe Group plc

Consolidated and company balance sheet at 31 December 2016

Company number 02639726		Consolidated		Company	
	Note	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Non-current assets					
Goodwill and other intangibles	9	13,947	14,075	-	-
Development costs	10	2,745	2,367	248	299
Property, plant and equipment	11	2,384	2,217	-	-
Investments	12	-	-	17,995	17,995
		<u>19,076</u>	<u>18,659</u>	<u>18,243</u>	<u>18,294</u>
Current assets					
Inventories	13	1,084	881	-	-
Trade and other receivables	14	5,151	4,296	3	3
Cash and cash equivalents	15	3,408	3,380	4	5
		<u>9,643</u>	<u>8,557</u>	<u>7</u>	<u>8</u>
Total assets		<u><u>28,719</u></u>	<u><u>27,216</u></u>	<u><u>18,250</u></u>	<u><u>18,302</u></u>
Current liabilities					
Trade and other payables	16	(4,448)	(4,445)	(85)	(146)
Current tax liabilities	17	(136)	(248)	-	-
Borrowings	18	(686)	(478)	(80)	-
Deferred consideration	19	-	(6)	-	-
Contingent consideration	20	(55)	(414)	-	(324)
Amounts owed to subsidiary undertakings	21	-	-	(3,981)	(3,725)
		<u>(5,325)</u>	<u>(5,591)</u>	<u>(4,146)</u>	<u>(4,195)</u>
Non-current liabilities					
Borrowings	18	(608)	(763)	-	(80)
Contingent consideration	20	-	(58)	-	-
Deferred tax	23	(292)	(264)	-	-
		<u>(900)</u>	<u>(1,085)</u>	<u>-</u>	<u>(80)</u>
Total liabilities		<u><u>(6,225)</u></u>	<u><u>(6,676)</u></u>	<u><u>(4,146)</u></u>	<u><u>(4,275)</u></u>
Net assets		<u><u>22,494</u></u>	<u><u>20,540</u></u>	<u><u>14,104</u></u>	<u><u>14,027</u></u>
Equity					
Share capital	24	2,316	2,313	2,316	2,313
Capital redemption reserve		4,588	4,588	4,588	4,588
Share premium		13,062	13,062	13,062	13,062
Merger reserve		2,269	2,269	-	145
Translation reserve		(225)	(225)	-	-
Retained earnings		484	(1,467)	(5,862)	(6,081)
Total equity attributable to equity shareholders		<u><u>22,494</u></u>	<u><u>20,540</u></u>	<u><u>14,104</u></u>	<u><u>14,027</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 3 April 2017.

R J Smeeton

Director

The notes on pages 24 to 61 form part of these financial statements.

Universe Group plc

Consolidated and company cash flow statement for the year ended 31 December 2016

	Consolidated		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Net cash flows from operating activities				
Profit/(loss) before taxation	2,010	1,675	(42)	(333)
Depreciation and amortisation	1,613	1,747	51	35
Share option charge	116	122	116	122
Net finance expense/(income)	32	363	(36)	236
	<u>3,771</u>	<u>3,907</u>	<u>89</u>	<u>60</u>
(Increase)/decrease in inventories	(203)	525	-	-
Increase in receivables	(855)	(8)	-	-
Increase/(decrease) in payables	3	(768)	195	358
Interest paid	(102)	(127)	(7)	(20)
Tax paid	(259)	(109)	-	-
Net cash inflow from operating activities	<u>2,355</u>	<u>3,420</u>	<u>277</u>	<u>398</u>
Cash flows from investing activities:				
Deferred and contingent consideration arising on the acquisition of subsidiary undertakings	(345)	(279)	(281)	(279)
Acquisition of subsidiary undertakings	-	(30)	-	-
Purchase of property, plant and equipment	(400)	(640)	-	-
Expenditure on capitalised product development	(993)	(612)	-	(56)
Net cash outflow from investing activities	<u>(1,738)</u>	<u>(1,561)</u>	<u>(281)</u>	<u>(335)</u>
Cash flow from financing activities:				
Proceeds from issue of shares	3	56	3	56
Repayments of obligations under finance leases	(592)	(479)	-	-
Repayment of loans	-	(120)	-	(120)
Net cash (outflow)/inflow from financing activities	<u>(589)</u>	<u>(543)</u>	<u>3</u>	<u>(64)</u>
Increase/(decrease) in cash and cash equivalents	<u>28</u>	<u>1,316</u>	<u>(1)</u>	<u>(1)</u>
Cash and cash equivalents at beginning of year	3,380	2,064	5	6
Cash and cash equivalents at end of year	<u>3,408</u>	<u>3,380</u>	<u>4</u>	<u>5</u>

The notes on pages 24 to 61 form part of these financial statements.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016

1 Significant accounting policies

General information

Universe Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out on page 3.

Basis of preparation

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

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

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company has not been separately presented in the financial statements. The parent company's result for the year is disclosed in the company statement of changes in equity on page 21.

New accounting standards that have become effective in the current year have not had a material impact on the classification or measurement of the Group's assets and liabilities, nor have they resulted in any additional disclosure.

New standards and interpretations not applied

The Directors are assessing the possible impact of IFRS 15 – Revenue from contracts with customers (effective 1 January 2018) and IFRS 16 – Leases (effective 1 January 2019) in particular in respect of:

- bundled sales arrangements that may require different revenue recognition requirements under IFRS15 and,
- motor vehicle operating leases that may require recognition on the balance sheet under IFRS16

All other standards issued with an effective date after the date of these financial statements are expected to have an immaterial impact on the financial statements of the Group.

Basis of consolidation

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

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

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

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Significant accounting policies (*continued*)

Goodwill

For acquisitions since 1 January 2010 goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and represents the excess of the fair value of the consideration transferred over the fair value of the identifiable net assets acquired. Identifiable net assets are those which are capable of being sold separately or which arise from legal rights regardless of whether those legal rights are separable. Contingent consideration is included in cost at its acquisition date fair value and re-measured subsequently through the income statement. Where material, payments that are contingent on the continued employment of a former shareholder of an acquired business are treated as a remuneration expense rather than being included in the cost of acquisition. Acquisition expenses are expensed through the Statement of Comprehensive Income. Goodwill arising on acquisitions which took place before 1 January 2010 represents the excess of the fair value of the consideration given, plus associated costs, for a business, over the fair value of the identifiable net assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

Investments

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Significant accounting policies (*continued*)

Leasing

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

Expenditure on operating leases is charged to profit and loss on a straight line basis.

Foreign currencies

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

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

Pension costs

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have maturity dates within 3 months of issue.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Significant 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 Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Property, plant and equipment

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

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

The principal annual rates used for this purpose are:

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

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

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Significant accounting policies (*continued*)

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

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

Other intangible assets

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

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

Software licences	length of licence
Customer relationships	3-5 years
Customer contracts	the unexpired period of the agreement

Trade payables

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

Borrowings

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

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Significant accounting policies (*continued*)

Equity instruments

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

Trade receivables

Trade receivables are not interest bearing and are stated at their nominal value, less provision for impairment.

Share-based payment

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

For share options issued prior to 2016, fair value has been measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For share options issued in 2016 fair value has been measured by use of the binomial valuation model, to reflect the share price targets attached to those options.

Critical estimates and judgements

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

Impairment of goodwill and other related intangibles

The carrying value of goodwill and other related intangibles at the year end is £13.9 million (2015 - £14.1 million). 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 approved by the Board. Sensitivity analysis is performed around these forecasts as disclosed in note 9.

Recoverability of capitalised development costs

The capitalisation of development expenditure is a requirement of IAS 38 'Intangible Assets'. All capitalised and ongoing projects are reviewed regularly to ensure they meet the criteria for capitalisation. The key judgements required by management are around the potential impairment of the intangible assets once capitalised. These judgements surround the estimation of future cash flows to support the carrying values of assets. The carrying value of capitalised development costs at the year end was £2,745,000 (2015 - £2,367,000).

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 level of turnover that will be achieved. The likely range of turnover for the final year of payments is between £250,000 (based on existing recurring revenues) and £350,000 which would generate contingent consideration of between £50,000 and £67,000. The carrying value of contingent consideration at the year end was £55,000 (2015 - £472,000).

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

2 Operating profit and adjusted EBITDA	2016 £'000	2015 £'000
Operating profit	2,042	2,038
Add back:		
Depreciation	870	903
Amortisation	743	844
Share based payments	116	122
	<hr/>	<hr/>
Adjusted EBITDA	3,771	3,907
	<hr/> <hr/>	<hr/> <hr/>

3 Turnover analysis	2016 £'000	2015 £'000
Software licenses and hardware	4,657	5,470
Service and installations	7,218	6,909
Data services	3,998	3,601
Consultancy and license maintenance	3,839	4,347
	<hr/>	<hr/>
	19,712	20,327
	<hr/> <hr/>	<hr/> <hr/>

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

	2016 £'000	2015 £'000
United Kingdom	16,064	16,985
Belgium	3,648	3,342
	<hr/>	<hr/>
	19,712	20,327
	<hr/> <hr/>	<hr/> <hr/>

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

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

4 Operating segments

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

	Solutions 2016 £'000	Corporate 2016 £'000	Total 2016 £'000
Revenue – all external	19,712	-	19,712
Gross profit	6,869	-	6,869
Segment expenses	(4,203)	(624)	(4,827)
Segmental operating profit/(loss)	2,666	(624)	2,042
Net finance expense			(32)
Taxation			(175)
Profit for the year			1,835
	Solutions 2015 £'000	Corporate 2015 £'000	Total 2015 £'000
Revenue – all external	20,327	-	20,327
Gross profit	6,736	-	6,736
Segment expenses	(4,018)	(680)	(4,698)
Segmental operating profit/(loss)	2,718	(680)	2,038
Net finance expense			(363)
Taxation			(175)
Profit for the year			1,500

Information about major customers:

Included in revenues are revenues of approximately £3.7 million (2015 - £5.4 million), £3.6 million (2015 - £4.2 million) and £3.4 million (2015 - £3.4 million) which arose from sales to the Groups three largest customers.

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

5 Net finance expense

	2016 £'000	2015 £'000
Release of provision for contingent consideration	85	-
Interest receivable on bank deposits	14	10
	<hr/>	<hr/>
Finance income	99	10
	<hr/>	<hr/>
Interest payable on bank loans and overdrafts	(25)	(47)
Interest payable on finance leases	(92)	(91)
Increase provision for contingent consideration	-	(190)
Other interest	(14)	(45)
	<hr/>	<hr/>
Finance expense	(131)	(373)
	<hr/>	<hr/>
Net finance expense	(32)	(363)
	<hr/>	<hr/>

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

6 Profit for the year

	2016	2015
	£'000	£'000
Cost of inventory recognised as expenses	2,778	3,256
Staff costs (note 25)	8,471	7,916
Foreign exchange (gains)/losses	(49)	94
Depreciation and amortisation		
- Intangible assets	128	217
- Development costs	615	627
- Tangible, owned	428	417
- Tangible, subject to finance lease	442	486
Research and development expenditure	2,591	2,694
Auditors' remuneration (see below)	51	55
Operating lease charges – plant and machinery	421	430
Operating lease charges – property	464	424
Advisor fees arising on aborted corporate activity	66	-
	<hr/> <hr/>	<hr/> <hr/>

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

	2016	2015
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	10
The audit of the Company's subsidiaries	28	38
	<hr/>	<hr/>
Total audit fees	38	48
	<hr/> <hr/>	<hr/> <hr/>
Other fees:		
Tax compliance	13	7
	<hr/>	<hr/>
Total non-audit fees	13	7
	<hr/> <hr/>	<hr/> <hr/>
	51	55
	<hr/> <hr/>	<hr/> <hr/>

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

7 Taxation

	2016 £'000	2015 £'000
Continuing operations		
Current tax:		
Current year	206	211
Adjustments to tax charge in respect of previous periods	(59)	(47)
	<u>147</u>	<u>164</u>
Deferred tax (note 23):		
Current year	66	53
Adjustments to tax charge in respect of previous periods	(38)	(47)
	<u>28</u>	<u>6</u>
Overseas tax	-	5
	<u>-</u>	<u>5</u>
Total tax charge	<u><u>175</u></u>	<u><u>175</u></u>

Reconciliation of tax charge

Corporation tax is calculated at 20.00% (2015 – 20.25%) of the estimated assessable profit for the year.

	2016 £'000	2015 £'000
Profit before tax	2,010	1,675
Tax charge at the UK corporation tax rate of 20.00% (2015 – 20.25%)	402	339
Tax effect:		
Amounts not deductible/taxable in determining taxable profit	42	55
Enhanced R & D tax relief	(137)	(127)
Utilisation of previously unrecognised losses	(35)	(8)
Adjustments to tax charge in respect of previous periods	(8)	(93)
Effect of rate change on closing asset	(89)	4
Other tax charges	-	5
	<u>175</u>	<u>175</u>
Tax charge for the period	<u><u>175</u></u>	<u><u>175</u></u>

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 20% to 17% for periods beginning after 1 April 2018. The future rate of corporation tax enacted in The Finance Act 2015 was 17%. Accordingly, deferred tax balances as at 31 December have been recognised at 17%.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

8 Earnings per share

	2016 £'000	2015 £'000
The calculation of the basic, diluted and operating earnings per share is based on the following data:		
Earnings:		
Profit after tax – used for basic and diluted earnings per share	1,835	1,500
Add back net finance charge	32	363
Add back taxation charge	175	175
	<hr/>	<hr/>
Profit used for operating profit per share	2,042	2,038
	<hr/>	<hr/>
	2016 No '000	2015 No '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and operating earnings per share	231,348	227,996
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	241,553	238,023
	<hr/>	<hr/>

At the year end 9,900,000 (2015: nil) share options were in issue and could have potentially diluted earnings per share, but were not included in calculation of diluted earnings per share because they were not dilutive in the period.

	2016 pence	2015 pence
Basic earnings per share	0.79	0.66
	<hr/>	<hr/>
Diluted earnings per share	0.76	0.63
	<hr/>	<hr/>
Operating profit per share	0.88	0.89
	<hr/>	<hr/>

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

9 Goodwill and other intangibles

	Goodwill £'000	Customer Contracts £'000	Customer Relationships £'000	2016 Total £'000
Cost				
At 1 January 2016	13,650	334	626	14,610
Acquisitions	-	-	-	-
At 31 December 2016	13,650	334	626	14,610
Amortisation				
At 1 January 2016	-	241	294	535
Charge for the year	-	93	35	128
At 31 December 2016	-	334	329	663
Net book amount 31 December 2016	13,650	-	297	13,947
	Goodwill £'000	Customer Contracts £'000	Customer Relationships £'000	2015 Total £'000
Cost				
At 1 January 2015	13,479	334	626	14,439
Acquisition	171	-	-	171
At 31 December 2015	13,650	334	626	14,610
Amortisation				
At 1 January 2015	-	148	170	318
Charge for the year	-	93	124	217
At 31 December 2015	-	241	294	535
Net book amount 31 December 2015	13,650	93	332	14,075

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

9 Goodwill and other intangibles (*continued*)

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

The Group tests for impairment by preparing cash flow forecasts derived from the most recent financial budgets approved by the Board in the 2017 budget. The future cash flows are as approved by the Board based on recurring contracts and the sales pipeline and cover the next 5 financial years. Beyond that period operating cash flows are assumed to grow at 2% annually for the foreseeable future. Based on these assumptions the headroom above carrying value of assets was £16.1million (2015: £15.6million).

In assessing the value in use of the CGU, management have considered the potential impact of possible changes in the main assumptions used, and have calculated that a 44% shortfall in projected growth of EBITDA would cause the carrying value of the CGU to exceed its recoverable amount.

The risk adjusted pre-tax rate used to discount each of the CGU cash flow forecasts is 16.0% (2015 – 16.0%).

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

10 Development costs

	Capitalised development £'000	Software licences £'000	2016 Total £'000	Capitalised development £'000	Software licences £'000	2015 Total £'000
Consolidated Cost						
At 1 January	9,584	528	10,112	9,028	472	9,500
Additions	993	-	993	556	56	612
At 31 December	10,577	528	11,105	9,584	528	10,112
Amortisation						
At 1 January	7,604	141	7,745	7,030	88	7,118
Charge for the year	564	51	615	574	53	627
At 31 December	8,168	192	8,360	7,604	141	7,745
Net book value						
At 31 December	2,409	336	2,745	1,980	387	2,367

The significant capitalised development costs included above are:

	Remaining amortisation period	Net book amount £'000
On-line loyalty platform	4	429
Outside Payment Terminal	1	134
Electronics Fund Transfer platform and licenses	1-5	325
Head Office and Back Office Systems	4	999
Content Management System	5	232

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

10 Development costs (*continued*)

Company – software licences	2016	2015
	£'000	£'000
Cost		
At 1 January	404	348
Additions	-	56
	<hr/>	<hr/>
At 31 December	404	404
	<hr/>	<hr/>
Amortisation		
At 1 January	105	70
Charge for the year	51	35
	<hr/>	<hr/>
At 31 December	156	105
	<hr/>	<hr/>
Net book value		
At 31 December	248	299
	<hr/>	<hr/>

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

11 Property, Plant and Equipment

Consolidated Year ended 31 December 2016	Leasehold Improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2016	1,253	5,523	6,776
Additions	34	1,016	1,050
Disposals	-	(379)	(379)
At 31 December 2016	1,287	6,160	7,447
Depreciation			
At 1 January 2016	805	3,754	4,559
Charge for year	95	775	870
Released on disposal	-	(366)	(366)
At 31 December 2016	900	4,163	5,063
Net book value			
At 31 December 2016	387	1,997	2,384
Cost			
At 1 January 2015	1,130	5,735	6,865
Additions	123	530	653
Acquisitions	-	6	6
Disposals	-	(748)	(748)
At 31 December 2015	1,253	5,523	6,776
Depreciation			
At 1 January 2015	741	3,658	4,399
Charge for year	64	839	903
Acquisitions	-	5	5
Released on disposal	-	(748)	(748)
At 31 December 2015	805	3,754	4,559
Net book value			
At 31 December 2015	448	1,769	2,217

The net book value of plant and equipment includes £1,042,000 (2015 - £860,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £442,000 (2015 - £486,000).

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

12 Investments

	2016 £'000	2015 £'000
Company		
Investment in subsidiary undertaking		
At 1 January	17,995	17,995
Additions	-	-
	<hr/>	<hr/>
At 31 December	17,995	17,995
	<hr/>	<hr/>

For details of principal subsidiaries see note 31.

13 Inventories

	2016 £'000	2015 £'000
Consolidated		
Component parts	1,053	721
Work in progress	31	160
	<hr/>	<hr/>
	1,084	881
	<hr/>	<hr/>

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

14 Trade and other receivables

	2016 £'000	2015 £'000
Consolidated		
Trade receivables	4,314	3,269
Prepayments and accrued income	837	1,027
	<u>5,151</u>	<u>4,296</u>
Company		
Prepayments and accrued income	<u>3</u>	<u>3</u>

The average credit period taken on sales of goods and services is 68 days (2015 – 49 days). No interest is charged on the receivables. Before accepting any new customer, the Group uses an external credit scoring system to access the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £501,000 (2015 - £925,000) is due from the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying value amount of £1,743,000 (2015 - £1,022,000) which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold collateral over these balances. Ageing of past due but not impaired receivables is:

	2016 £'000	2015 £'000
30-60 days	1,128	588
60-90 days	214	247
Over 90 days	401	187
	<u>1,743</u>	<u>1,022</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. A bad debt provision of £40,000 (2015 - £10,000) has been recognised.

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

15 Cash and cash equivalents

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash	3,408	3,380	4	5

16 Trade and other payables

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	437	203	8	8
Other creditors	39	39	39	39
Accruals	823	1,071	38	99
Deferred income	2,070	2,155	-	-
Other taxation	1,079	977	-	-
	4,448	4,445	85	146

The average credit period taken for trade purchases is 14 days (2015 – 13 days).

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

17 Current tax liabilities

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Corporation tax	136	248	-	-

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

18 Borrowings

	Consolidated		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Secured – at amortised cost				
Current				
Finance lease liabilities (i)	606	478	-	-
Other loans (ii)	80	-	80	-
Non-current				
Finance lease liabilities (i)	608	683	-	-
Other loans (ii)	-	80	-	80
	<u>1,294</u>	<u>1,241</u>	<u>80</u>	<u>80</u>
	<u><u>1,294</u></u>	<u><u>1,241</u></u>	<u><u>80</u></u>	<u><u>80</u></u>
The borrowings are repayable as follows:				
On demand or within one year	686	478	80	-
In the second to fifth years inclusive	608	763	-	80
	<u>1,294</u>	<u>1,241</u>	<u>80</u>	<u>80</u>
	<u><u>1,294</u></u>	<u><u>1,241</u></u>	<u><u>80</u></u>	<u><u>80</u></u>

- (i) Finance lease liabilities are secured by the assets leased. The average lease term is five years. For the year ended 31 December 2016, the average effective borrowing rate was 4.2% (2015 – 7.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.
- (ii) The other loans consist of five term loan notes held by Downing LLP, a substantial shareholder. The loans are secured on the assets of the Group. The loans bear interest at 9.5% and are repayable in July 2017.

All borrowings are denominated in sterling.

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

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

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Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

19 Deferred consideration

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Payable in less than one year	-	6	-	-
Payable in more than one year	-	-	-	-
	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>

The deferred consideration was paid on 30 April 2016 to the former owners of Spedinorcon Limited.

20 Contingent consideration

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Payable in less than one year	55	414	-	324
Payable in more than one year	-	58	-	-
	<u>55</u>	<u>472</u>	<u>-</u>	<u>324</u>
	<u>55</u>	<u>472</u>	<u>-</u>	<u>324</u>

Contingent consideration is payable to the former owners of Spedinorcon Limited in two annual tranches (on 31 May 2016 and 2017) based on sales achieved in the two years following the acquisition. Consideration accrues at the rate of 20% of the first £600,000 of sales achieved and 12.5% thereafter.

21 Amounts owed to subsidiary undertaking

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	-	-	3,981	3,725
	<u>-</u>	<u>-</u>	<u>3,981</u>	<u>3,725</u>

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

22 Financial instruments

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18 and 19, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed on page 20.

Gearing ratio

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

The gearing ratio at the year end is as follows:

	2016 £'000	2015 £'000
Debt*	(1,294)	(1,247)
Cash and cash equivalents	3,408	3,380
Net cash/(debt)	2,114	2,133
Equity**	22,494	20,540
Net debt to equity ratio	N/A	N/A

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

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

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Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

22 Financial instruments (*continued*)

Significant accounting policies

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

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets:				
At amortised cost:				
Cash	3,408	3,380	4	5
Trade receivables	4,314	3,269	-	-
	<u>7,722</u>	<u>6,649</u>	<u>4</u>	<u>5</u>

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial liabilities:				
At amortised cost:				
Trade payables	437	203	8	8
Other creditors	39	39	39	39
Accruals	823	1,071	38	99
Intercompany debt	-	-	3,981	3,725
Bank and other loans	80	80	80	80
Deferred consideration	-	6	-	-
Finance lease obligations	1,214	1,161	-	-
At fair value:				
Contingent consideration	55	472	-	324
	<u>2,648</u>	<u>3,032</u>	<u>4,146</u>	<u>4,275</u>

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

22 Financial instruments (*continued*)

Financial risk management objectives

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

Market risk

The activities of the Company and Group expose them to the financial risks of changes in exchange rates. The Group transacts business in Euros with approximately 18% (2015: 16%) of turnover denominated in that currency. In order to mitigate the risk of the exchange rate depreciating the Group aims to enter into forward currency hedging contracts equivalent to 50% of expected revenues arising in the next 6 month period, although no such contracts were in place at the year end or the prior year end. A 10% increase/decrease in the Euro exchange rate would have revalued the net assets at the balance sheet date by £157,000 (2015: £33,000) and impacted profit and loss by the same amount.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. In 2016 54% (2015 – 64%) of the Group's turnover was with three counterparties leading to an inherent concentration of credit risk. The Group carefully monitors the creditworthiness of these three counterparties. For new accounts the Group's policy is to only deal with creditworthy counterparties, carrying out background checks before any new accounts are opened so as to mitigate the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management as and when necessary, but at a minimum annually.

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

Interest rate management

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

Liquidity risk management

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

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

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

22 Financial instruments (*continued*)

Group	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
2016							
<i>Non-interest bearing:</i>							
Trade payables	-	437	-	-	-	-	437
Contingent consideration	-	-	-	55	-	-	55
<i>Fixed interest rate:</i>							
Finance leases	4.2%	56	325	296	701	-	1,378
Other loans	9.5%	-	3	83	-	-	86
		<u>493</u>	<u>328</u>	<u>434</u>	<u>701</u>	<u>-</u>	<u>1,956</u>

Group	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
2015							
<i>Non-interest bearing:</i>							
Trade payables	-	203	-	-	-	-	203
Deferred consideration	-	-	6	-	-	-	6
Contingent consideration	-	-	-	419	71	-	490
<i>Fixed interest rate:</i>							
Finance leases	7.9%	37	247	285	723	145	1,437
Other loans	9.5%	-	3	4	87	-	94
		<u>240</u>	<u>256</u>	<u>708</u>	<u>881</u>	<u>145</u>	<u>2,230</u>

The above finance lease payments are the minimum lease payment totals and include £164,000 of interest (2015: £276,000)

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

22 Financial instruments (*continued*)

Company	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
2016							
<i>Non-interest bearing:</i>							
Trade payables	-	8	-	-	-	-	8
Intercompany debt	-	3,981	-	-	-	-	3,981
<i>Fixed interest rate:</i>							
Other loans	9.5%	-	3	83	-	-	86
		<u>3,989</u>	<u>3</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>4,075</u>
2015							
<i>Non-interest bearing:</i>							
Trade payables	-	8	-	-	-	-	8
Intercompany debt	-	3,725	-	-	-	-	3,725
Contingent consideration	-	-	-	323	-	-	323
<i>Fixed interest rate:</i>							
Other loans	9.5%	-	3	4	87	-	94
		<u>3,733</u>	<u>3</u>	<u>327</u>	<u>87</u>	<u>-</u>	<u>4,150</u>

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

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Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

22 Financial instruments (*continued*)

Financial instruments measured at fair value

The reconciliation of the opening and closing fair values of level 3 financial instruments is provided below:

Contingent consideration	Group £'000	Company £'000
At 1 January 2015	190	190
Recognised upon acquisition (see note 34)	128	-
Increase included in Finance Income	233	213
Payment of contingent consideration	(79)	(79)
	-----	-----
At 31 December 2015	472	324
	-----	-----
At 1 January 2016	472	324
Decrease included in Finance Income	(85)	(50)
Increase included in Finance Expenses	7	7
Payment of contingent consideration	(339)	(281)
	-----	-----
At 31 December 2016	55	-
	-----	-----

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

23 Deferred tax liability

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

	2016 £'000	2015 £'000
Net liability at 1 January	(264)	(258)
Recognised in the statement of comprehensive income	(28)	(6)
	<hr/>	<hr/>
Net liability at 31 December	(292)	(264)
	<hr/> <hr/>	<hr/> <hr/>

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

	2016 Carrying Value £'000	2015 Carrying value £'000	Recognised in the year £'000
Share options	138	138	-
Fixed asset timing differences	(430)	(402)	(28)
	<hr/>	<hr/>	<hr/>
	(292)	(264)	(28)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

At the balance sheet date, the Group has further unutilised tax losses of £1,624,000 (2015 - £1,767,000) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of its recoverability.

24 Called up share capital

	2016 £'000	2015 £'000
Group and Company		
<i>Authorised, allotted, called up and fully paid:</i>		
231,598,935 Ordinary shares of 1p each		
(2015 – 231,286,435 ordinary shares of 1p each)	2,316	2,313
	<hr/>	<hr/>

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

Share options

Share options awards are disclosed at note 30. During the year 312,500 ordinary shares were issued in respect of share option exercises.

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

25 Employee and directors

Group	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages and salaries	7,473	7,023	290	290
Social security costs	791	704	29	29
Pension costs	207	189	26	26
	<u>8,471</u>	<u>7,916</u>	<u>345</u>	<u>345</u>

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

	2016 No's	2015 No's	2016 No's	2015 No's
Production/services	128	116	-	-
Sales/marketing	52	14	-	-
Research and development	22	48	-	-
Administration	21	22	2	2
	<u>223</u>	<u>200</u>	<u>2</u>	<u>2</u>

Emoluments paid to the highest paid director were as follows:

	2016 No's	2015 No's
Aggregate emoluments	182	237
Company pension contribution to money purchase pension scheme	17	17
	<u>199</u>	<u>254</u>

There are 3 directors (2015 – 3) to whom retirement benefits accrued under money purchase schemes during the year.

Further details of the director's remuneration are included in the Directors' Remuneration Report on pages 14 to 16.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

26 Pension commitments

The Group operates a defined contribution scheme. The assets of the scheme are held separately from these of the Group in funds under the control of investment managers. The pension costs charged represent contributions payable by the Group to the fund amounting to £207,000 (2015 - £189,000), together with the administration charge of the fund. In addition the Group continues to contribute to personal pension plans for certain of its employees. As at 31 December 2016 contributions of £41,000 (2015 - £37,000) due in respect of the current reporting period had not been paid over to the scheme.

27 Operating lease commitments

At 31 December 2016 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

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

	2016			2015		
	Property £'000	Plant and Machinery £'000	Total £'000	Property £'000	Plant and Machinery £'000	Total £'000
Within 1 year	452	276	728	393	298	691
Between 2 and 5 years	1,243	233	1,476	1,576	229	1,805
After 5 years	-	-	-	-	-	-
Total	<u>1,695</u>	<u>509</u>	<u>2,204</u>	<u>1,969</u>	<u>527</u>	<u>2,496</u>

28 Contingent liabilities

The Group has given a duty deferment guarantee to HMRC of £5,000 (2015 - £5,000).

29 Capital and other financial commitments

As at 31 December 2016 the Group had not entered into any contracts for future capital expenditure (2015 - £Nil).

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

30 Share-based payments

At 31 December 2016 the outstanding share options, which include the share options granted to Directors, are as shown below:

	Date of Grant	Exercise price (p)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme	30 July 2010	1	937,500	30 July 2013	30 July 2020
	5 November 2010	1	375,000	5 November 2013	5 November 2020
	26 January 2012	1	312,500	26 January 2015	26 January 2022
	18 December 2012	1	250,000	18 December 2012	18 December 2022
	26 July 2013	4.25	1,750,000	26 July 2016	26 July 2023
	13 November 2013	4.5	3,440,000	13 November 2016	13 November 2023
	28 October 2014	5.5	1,808,500	28 October 2017	28 October 2024
	18 January 2016	9	2,934,000	April 2019	18 January 2026
Unapproved scheme	30 July 2010	1	625,000	30 July 2013	30 July 2020
	5 November 2010	1	500,000	5 November 2013	5 November 2020
	18 December 2012	1	1,750,000	18 December 2012	18 December 2022
	26 July 2013	4.25	1,750,000	26 July 2016	26 July 2023
	13 November 2013	4.5	560,000	13 November 2016	13 November 2023
	28 October 2014	5.5	1,994,500	28 October 2017	28 October 2024
	18 January 2016	9	6,966,000	April 2019	18 January 2026

Summary of share option schemes in operation during the year

The Directors' Remuneration Report on pages 14 to 16 describes the plans to which IFRS 2 applies. In summary, the Group operated the following plans during the period:

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

The Group recognised a total expense of £116,000 in 2016 (2015: £122,000).

Equity-settled share option schemes

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

- For awards made prior to 31 December 2012 the performance condition was for the share price to increase to 5 pence. This condition has been satisfied.
- For options issued on 26 July 2013 the performance condition was for the share price to increase to 6 pence. This condition has been satisfied.
- For options issued on and after 13 November 2013 the performance condition was for the share price to increase to 9.5 pence. This condition has been satisfied.
- For options issued on 18 January 2016 performance conditions apply across three tranches of options as set out below:
 - 3,300,000 options require the share price to increase to 13.5 pence.
 - 3,300,000 options require the share price to increase to 21 pence.
 - 3,300,000 options require the share price to increase to 31 pence.

In all 3 tranches the share price increase must be achieved in the four weeks and one day period following the announcement of the Company's results for the year ended 31 December 2018.

Where options remain unexercised after a period of 10 years from the date of grant the options expire. Moreover, the options will lapse in the case of termination of employment, subject to the good leaver provisions or the Remuneration Committee exercising its discretion to permit options to be exercised.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 *(continued)*

30 Share-based payments *(continued)*

The total number of shares under option at 31 December 2016 is as follows:

	Number of share options No's	Weighted average exercise price pence
Unapproved share options		
Outstanding at beginning of period	7,492,000	3.2
Granted during the period	6,966,000	9.0
Exercised during the period *	(312,500)	1.0
	<hr/>	
Outstanding at the end of the period	14,145,500	6.1
	<hr/> <hr/>	
Exercisable at the end of the period	5,185,000	2.5
	<hr/> <hr/>	

* The weighted average share price upon exercise of options exercised during the year was 9.125p.

All acquisitions under the plan are equity-settled.

	Number of share options No's	Weighted average exercise price pence
EMI share options		
Outstanding at beginning of period	8,873,500	3.9
Granted during the period	2,934,000	9.0
	<hr/>	
Outstanding at the end of the period	11,807,500	5.2
	<hr/> <hr/>	
Exercisable at the end of the period	7,065,000	3.5
	<hr/> <hr/>	

The options outstanding at 31 December 2016 had a weighted average exercise price of 5.7 pence (2015 – 3.6 pence) and a weighted average remaining contractual life of 7 years (2015 – 7 years).

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

30 Share-based payments (continued)

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

Date of Grant	Type of award	Number of shares	Exercise price (p)	Performance target price (p)	Share price at date of grant (p)	Fair value per option (p)	Award life (years)
30 July 2010	EMI	937,500	1	5	3	1	3
30 July 2010	Unapproved	625,000	1	5	3	1	3
5 November 2010	EMI	375,000	1	5	3	1	3
5 November 2010	Unapproved	500,000	1	5	3	1	3
26 January 2012	EMI	312,500	1	5	3	1	3
18 December 2012	EMI	250,000	1	5	3	1	-
18 December 2012	Unapproved	1,750,000	1	5	3	1	-
26 July 2013	EMI	1,750,000	4.25	6	4.25	2	3
26 July 2013	Unapproved	1,750,000	4.25	6	4.25	2	3
13 November 2013	EMI	3,440,000	4.5	7.25	7.25	4	3
13 November 2013	Unapproved	560,000	4.5	7.25	7.25	4	3
28 October 2014	EMI	1,808,500	5.5	9.5	5.5	3.3	3
28 October 2014	Unapproved	1,994,500	5.5	9.5	5.5	3.3	3
18 January 2016	EMI	1,500,000	9	13.5	9	0.7	3
18 January 2016	Unapproved	1,800,000	9	13.5	9	0.7	3
18 January 2016	EMI	717,000	9	21	9	0.7	3
18 January 2016	Unapproved	2,583,000	9	21	9	0.7	3
18 January 2016	EMI	717,000	9	31	9	0.0	3
18 January 2016	Unapproved	2,583,000	9	31	9	0.0	3
		25,953,000					

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

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

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

31 Related undertakings

Name	Place and date of incorporation	Issued and full paid share capital	Percentage held	Business
htec Group Ltd	England and Wales	Ordinary £1	100% held	Holding Company
htec Ltd*	England and Wales	Ordinary 1p	100% held	Manufacture and development of payment and information systems
WSF Services Ltd	Scotland	Ordinary £1	100% held	Dormant
Prepaid Card Management Ltd*	England and Wales	A/B share £0.01	51% held	Dormant
Indigo Retail Holdings Ltd	England and Wales	Ordinary £1 A and B shares	100% held	Holding Company
Indigo Retail Technology Ltd*	England and Wales	Ordinary £1	100% held	Dormant
htec Retail Services Limited*	England and Wales	Ordinary £1	100% held	Dormant
Spedinorcon Limited*	England and Wales	Ordinary £1	100% held	Dormant

* Investments held in a subsidiary company

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

Universe Group plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

32 Related parties - company

	Debits to intercompany indebtedness	
	2016 No's	2015 No's
Balances with htec Limited		
Funding transactions	(936)	(1,029)
Management recharge	680	680

Amounts owed to subsidiaries are disclosed in note 21.

Remuneration of key personnel

Details of the remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information regarding the Directors individual remuneration package is provided in the Directors' Remuneration Report on pages 14 to 16.

	2016 £'000	2015 £'000
Short term employee benefits and employees NIC	606	579
Post employment benefits	38	33
Share based payments	90	115
	734	727

Loan notes issued to significant shareholders

The Group owes the following balances on 9.5% interest loan notes to Downing LLP, a significant shareholder.

	2016 £'000	2015 £'000
Loan notes	80	80

The loan notes expire in 2017.

33 Material non-cash transactions

During the year the Group entered into £685,000 (2015 - £13,000) of finance leases for computer equipment.

These transactions are not reflected in the Group and Company cash flow statement.

34 Acquisition of Spedinorcon Limited in the prior year

On 2 April 2015 the Group 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 Group's reach into related markets.

Universe Group plc

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

34 Acquisition of Spedinorcon Limited in the prior year (continued)

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	<u>(127)</u>	<u>120</u>	<u>(7)</u>

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	<u>164</u>
Goodwill (note 9)	<u>171</u>

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 were recognised as administrative expenses in the statement of comprehensive income in the prior year. The deferred consideration, less the net current liability adjustment was paid on 30 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.

In 2016 Spedinorcon contributed £0.3 million (2015 - £0.3 million) to Group revenues. As Spedinorcon was fully integrated into HTEC shortly after acquisition it is not possible to disclose profit figures directly attributable to the acquisition.