Selecta U.K. Limited

Annual report and financial statements

For the 15 months ended 31 December 2019

Registered number 02605313

Selecta U.K. Limited

Annual report and financial statements for the 15 months ended 31 December 2019

Contents

Selecta U.K. Limited

Directors and advisors for the 15 months ended 31 December 2019

Directors

DH Abrahams	(resigned 1 September 2019)
W Mulligan	(resigned 28 January 2020)
D Flochel	(resigned 14 July 2020)
M Schwartz	(appointed 1 September 2019 and resigned 21 October 2020)
P Hearne	(appointed 28 January 2020, resigned 1 April 2020 and re-appointed 14 July 2020)
E Aston	(appointed 1 April 2020 and resigned 5 October 2020)
A Leon	(appointed 21 October 2020)
T Venus	(appointed 21 October 2020)

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Middlesex
HA4 6QD

Bankers
National Westminster Bank plc
City of London Office
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1 Princes Street
London
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Independent auditor
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Registered number
02605313

Strategic Report for the 15 months ended 31 December 2019

The Directors present their Strategic Report for the 15 months ended 31 December 2019. The comparative financial period was for the year ended 30 September 2018.

Principal activities
The principal activities of the company during the year were to supply, install, service and operate a comprehensive range of drink, snack and food vending equipment and systems and to sell a comprehensive range of vending, catering and hygiene products.

Business review and results

The Company continues to trade in a competitive market and returned results for the year which are in line with expectations. The Company is one of the largest vending machine operators in the UK with the installed machine base spread across the country. The size of the Company's network provides significant economies of scale, in terms of route density and logistics, which enables it to retain advantages in terms of delivery and pricing over smaller competitors. During the last 15 months the Company has been focusing on improving the average revenue per machine across its vending estate.

Results for the period show a loss on ordinary activities before taxation of £5,685,000 on a turnover of £179,189,000 (year ended 30 September 2018: loss £12,972,000 on a turnover of £146,002,000). Losses for the year were after non-recurring costs of £6,529,000 (year ended 30 September 2018: £10,324,000) including costs of completing the integration of the Selecta and Pelican Rouge Groups in the UK and harmonisation of accounting policies. The company's revenue stabilised during the year following the combination of the legacy Pelican Rouge & Selecta operating businesses. The higher margin for the combined business was maintained with a Gross Margin percentage of 54% for both periods. Administrative charges showed a significant reduction compared to the previous 12 months reflecting the benefits from the restructuring costs in the previous period. At 31 December 2019, the net liabilities were £13,329,000 (2018: net liabilities £7,644,000).

No dividend was paid or is proposed for the year (2018 : £6,637,000).

The Company is part of the Selecta Group BV (the "Group") (see Note 22), which operates a group treasury function. The Directors of the Group consider that the facilities in place provide sufficient funds to enable the Group to develop and grow the Selecta U.K. Limited business, as detailed in note 24.

Key Performance Indicators

During the year, the gross margin was 54% (2018: 55%). The legacy Selecta business was predominately an operated vending company generating higher gross margin compared to the diverse revenue stream within the Pelican business where margins were diluted by a higher proportion of machine sales. The integration of the Selecta business consequentially improved the 2018 gross margin. 2018 is a more representative mix for the ongoing business.

Following the integration of the two operated business a full suite of daily and weekly KPIs are available to management. This has enabled improved operational efficiency during the 15 months to 31 December 2019 to allow the business to build on the benefits from introduction of telemetry routing introduced in the 15 months to 31 December 2019 and to be developed further in the following year.

Strategic report for the 15 months ended 31 December 2019 (continued)

Principal risks and uncertainties

Economic trends
In line with the majority of the vending industry, the Company has experienced some throughput decline on its existing machine base over the last few financial years, with the impact from lower employment and footfall in some of its customer segments. The decline in throughput slowed in the 15 months to 31 December 2019 and as a result of the growth in high volume premium coffee machines across the company's public estate is expected to move to growth during 2020.

Coronavirus
On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The UK government has taken stringent steps to help contain or delay the spread of the virus and provide support to affected businesses. Currently, there is a significant increase in economic uncertainty impacting companies within the group.

Due to the uncertainty of the outcome of the current events, the company cannot reasonably estimate the impact these events will have on the company's financial position, results of operations or cash flows in the future.

Brexit
Selecta has and is taking further necessary steps to mitigate future challenges of any Brexit outcome. From an operational perspective Selecta believes the most likely issue caused by Brexit may be short term delays in the importation of goods due to the creation of tariff and non-tariff barriers. Therefore a detailed analysis of current supply chains has taken place. As a result Selecta can confirm that the majority of consumable goods; snacks, cold drinks, confectionary & paper cups are sourced from manufacturing within the UK and therefore will not be directly impacted.

For goods supplied from the EU Selecta has received reassurance from all major suppliers that contingencies are in place to maintain supply. Selecta's Coffee is delivered for roasting and packing at our company owned roaster in the Netherlands with the supply chain to the UK also being under Selecta's own control. As a result Selecta is able to increase manufacturing and delivery to the UK of buffer stocks prior to Brexit.

Coffee machines, vending equipment and spares are majority supplied from the UK and countries outside of the EU. Items supplied from the EU are currently warehoused in the UK both by Selecta and subsidiaries of the European equipment manufacturers, again stock can be increased prior to Brexit to ensure continuity of supply.

Climate Change
The company seeks to minimise its carbon footprint by encouraging recycling of its products

Commodity markets
The Company has limited exposure to movements in coffee prices. The majority of commodity price movements are passed onto our customers.

Business mix
The Company operates a number of business models. Focus is given to ensuring that trends over time in customer preferences are identified in good time, enabling the company to restructure operations in such a way as to maintain operating margins, and ensure that it can continue to offer excellent service at prices which are competitive in the relevant markets.

Cash flow Risk
The Company mitigates cash flow risk by maintaining strong controls by weekly reporting to the Group Treasury function on working capital performance and cash flow forecasting.

Selecta U.K. Limited

Strategic report for the 15 months ended 31 December 2019 (continued)

Credit Risk
The Company's principal financial assets are bank balances and cash, trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity Risk
The Company regularly monitors the level of working capital to ensure the Company has sufficient funds available for operations.

Price Risk
The Company has exposure to coffee price risk as a result of its operations. However, given that a significant proportion of coffee price movements can be passed onto customers, the exposure is considered limited.

Approved by the Board of Directors and signed on behalf of the Board.

P Hearne
Director
Date 18/01/21

Selecta U.K. Limited

Directors' report for 15 months ended 31 December 2019

The Directors present their report and the unaudited financial statements for the 15 months ended 31 December 2019.

Future developments

The Company strategy is to continue to grow organically by expanding and developing business with existing customers and by gaining new business with additional customers, improving the efficiency of operations. Following successful trials of a telemetry based system which will provide real time visibility of product availability, the company is progressing with installation of the technology throughout the machine estate. This will be used to improve planning of machine visits and notification of any technical issues. Growth in sales will be supported by the installation of new products such as Micro Markets (a self-service workplace catering solution) and detailed throughput initiatives.

Qualifying Third Party Indemnity provisions

The Company maintains liability insurance for its Directors and Officers. Following Shareholder approval, the company has also provided an indemnity for its Directors and the Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The policies were in place during the year and at the date of approval of the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newsletter and the distribution of the annual report.

Dividends

No dividend was paid or is proposed for the period (2018: £6,637,000).

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, foreign exchange risk and liquidity risk. The Company continually monitors its exposure to these risks, in conjunction with the Group treasury function, and respond accordingly.

Selecta U.K. Limited

Directors' report for the 15 months ended 31 December 2019 (continued)

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

DH Abrahams	(resigned 1 September 2019)
W Mulligan	(resigned 28 January 2020)
D Flochel	(resigned 14 July 2020)
M Schwartz	(appointed 1 September 2019 and resigned 21 October 2020)
P Hearne	(appointed 28 January 2020, resigned 1 April 2020 and re-appointed 14 July 2020)
E Aston	(appointed 1 April 2020 and resigned 5 October 2020)
A Leon	(appointed 21 October 2020)
T Venus	(appointed 21 October 2020)

Approved by the Board of Directors and signed on behalf of the Board.

P Hearne
Director
Date 18/01/21

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Selecta U.K. Limited

Income Statement for the for the 15 months ended 31 December 2019

	Note	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
Revenue	2	179,189	146,002
Cost of sales		(82,667)	(66,327)
Gross profit		96,522	79,675
Administrative expenses		(98,164)	(90,786)
Loss before finance charges		(1,642)	(11,111)
Finance income	6	335	6
Finance costs	7	(4,378)	(1,867)
Loss before taxation	3	(5,685)	(12,972)
Income tax expense	8	-	-
Loss for the financial period / year		(5,685)	(12,972)

All the above results have been derived from continuing operations.

Statement of Other Comprehensive Income for 15 months ended 31 December 2019

There were no items of other comprehensive income for the 15 months ended 31 December 2019 (2018: £nil).

The notes on pages 11 to 30 form an integral part of these financial statements.

Selecta U.K. Limited

Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £000	30 September 2018 £000
Assets			
Non-current assets			
Property, plant and equipment	9	18,266	24,474
Intangible assets	10	6,248	608
Investments	11	408	-
		24,922	25,082
Current assets			
Inventories	12	14,307	11,213
Trade and other receivables	13	20,685	31,599
Cash and cash equivalents		4,434	12,461
		39,426	55,273
Total assets		64,348	80,355
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	14	(42,927)	(52,736)
		(42,927)	(52,736)
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(34,101)	(32,914)
Provisions for liabilities	15	(649)	(2,349)
		(34,750)	(35,263)
Total liabilities		(77,677)	(87,999)
Net (liabilities) / assets		(13,329)	(7,644)
Equity			
Called up share capital	16	-	-
Share premium		2,297	2,297
Profit and loss account		(15,626)	(9,941)
Total equity		(13,329)	(7,644)

For the 15 months ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.
Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the board of directors on 18/01/21 and were signed on its behalf by:

P HEARNE

Director

Registered number 02605313

The notes on pages 11 to 30 form an integral part of these financial statements.

Selecta U.K. Limited

Statement of changes in equity for the 15 months ended 31 December 2019

	Called up share capital	Share Premium	Capital Contribution Reserve	Profit and Loss Account	Total
	£000	£000	£000	£000	£000
Balance at 1 October 2017	-	-	-	9,668	9,668
Loss for the year	-	-	-	(12,972)	(12,972)
Total comprehensive income for the year	-	-	-	(12,972)	(12,972)
Dividends payable	-	-	-	(6,637)	(6,637)
Issue of 100 shares of £1 each	-	2,297	-	-	2,297
Balance at 30 September 2018	-	2,297	-	(9,941)	(7,644)
Loss for the period	-	-	-	(5,685)	(5,685)
Total comprehensive income for the period	-	-	-	(5,685)	(5,685)
Balance at 31 December 2019	-	2,297	-	(15,626)	(13,329)

The notes on pages 11 to 30 form an integral part of these financial statements.

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

1 Accounting policies

1.1 General Information

The company is incorporated, domiciled and registered in England and Wales, in the UK. The address of its registered office is Apollo House, Odyssey Business Park, West End Road, Ruislip, Middlesex, England, HA4 6QD.

The principal activities of the company during the year were to supply, install, service and operate a comprehensive range of drink, snack and food vending equipment and systems and to sell a comprehensive range of vending, catering and hygiene products.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note (1.4(q)).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 – financial instrument disclosures
- IFRS 13 – disclosures of valuation techniques and inputs used for fair value measurements of assets and liabilities
- IAS 1 – disclosure of information on management of capital
- IAS 7 – preparation of the statement of cash flows
- IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective
- IAS 24 – disclosure of key management compensation and for related party disclosures entered into between two or more wholly owned members of a group

1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.3 Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The UK government has taken stringent steps to help contain or delay the spread of the virus and support business. Due to the uncertainty of the outcome of the current events, the company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Notwithstanding net liabilities of £13,329,000 as at 31 December 2019 and a loss for the period then ended of £5,685,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, both through funding from its intermediate parent company (Selecta AG) and from the UK government schemes available to support businesses through the pandemic, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Selecta AG not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £30,903,000, and providing additional financial support during that period. Selecta AG has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

Selecta AG has successfully raised additional finance to support the group through the initial impact of the Coronavirus outbreak.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.4 Significant accounting policies (continued)

(a) Revenue

Revenue represents the invoiced value of goods and services for the sales, supply, installation, service and operation of a comprehensive range of drink, snack and food vending equipment and systems. Revenue is recognised at the fair value of the consideration received net of discounts and value added tax. The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, the right to the revenue has been earned and recovery of the consideration is probable and revenue and costs can be reliably measured.

Rendering of services

The Company also provides services to clients in the form of maintenance and repairs services and hygiene services. Where the income is dependent on the work performed, the revenue is recognised based on records of technical site visits or other service provided.

(b) Translation of foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment the Company operates in.

Normal trading activities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange at the statement of financial position date. Exchange gains and losses are recognised in the income statement.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided against the cost of the property, plant and equipment over their expected useful economic lives on a straight line basis within the following ranges:

Plant, machinery and motor vehicles	3 - 9 years
Fixtures, fittings and equipment	3 - 7 years
Leasehold Improvements	50 years or lease period if shorter

The useful economic life of the machine estate is 5 years for table top dispensing machines and 9 years for free standing vending machines. Refurbished machines have an economic life of 3 years.

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

(d) Intangible assets – vending rights

Vending rights arising through contracts are measured initially at purchase cost and are amortised on a straight-line basis over a period of 10 years which is deemed to be their useful economic life.

1.4 Significant accounting policies (continued)

(e) Intangible assets – development costs

An internally generated intangible asset arising from the company's development costs is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over the estimated useful lives of intangible assets which is estimated to be 42 months. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

(g) Trade and other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(h) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Dividend distributions

Dividend distributions to the shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

(j) Taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

1.4 Significant accounting policies (continued)

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax is provided by applying the current tax rate to the result for the financial period, as adjusted for applicable loss carried forward, exempt profit elements, non-deductible costs, and group relief available.

(k) Pensions

The Company is party to the Selecta UK Holding Limited Personal Pension Plan which runs alongside The Selecta Group Retirement Benefits Plan. For this defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable and those actually paid are shown as either accruals or prepayments in the balance sheet.

The company is also a participating employer of the Selecta (UK) Pension Plan, the sponsoring employer is Selecta UK Holding Limited. The Company in line with group policy has adopted IAS19 "Employee benefits", however is unable to identify its share of the underlying assets and liabilities within that defined benefit pension scheme; contributions payable to the scheme in the year are charged in full to the profit and loss account.

Selecta UK Holding Limited, the company's intermediate parent company, has implemented in full IAS 19 "Employee benefits" and recognises the defined benefit pension scheme on its balance sheet.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost is calculated on a "first-in first-out" basis and comprises in the case of bought in goods the invoice price. Net realisable value is based on estimated selling price less all future costs to completion and all relevant marketing, selling and distribution costs.

(m) Accrued income and deferred income

Revenue recognised in the income statement but not yet invoiced is held on the balance sheet within prepayments and accrued income. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within accruals and deferred income.

(n) Leases

Leasing rentals in respect of operating leases are charged to the income statement on a straight-line basis over the lease term, even if payments are not made, or benefits received, on such a basis.

1.4 Significant accounting policies (continued)

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

(o) Related parties

The Company has taken advantage of the exemption of certain disclosure requirements under IAS 24 over the provision of 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Selecta Group BV, whose financial statements are publicly available.

(p) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The value of the obligation is discounted to present value when the impact is material

(q) Critical accounting estimates and judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are considered to be reasonable under the circumstances.

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-current assets

The Company determines whether property, plant and equipment are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant cash-generating unit (CGU). Recoverable amount is the higher of fair value less costs to sell and value in use. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

Inventories

Inventories include perishable products which requires the Group to make estimates regarding the amount of goods whose shelf life will expire before they are sold in order to determine the appropriate level of provisions to be recorded. Such provisions are therefore calculated with reference to the level of inventories held, average sales, and expiry dates. Provisions for spare parts held in inventory are calculated according to the inventory turnover ratio.

Sales estimations

Where sales are based on consumption in the machines, there may be a timing difference between the date on which the cash was last collected from the machines or the date on which the sales readings were taken. In this case an estimate of the sales between the date of the last cash collection or the last machine reading and the end of the period is made. The estimate is based on historical sales trends in respect of the specific client sites and machines. The estimated amount of sales which have been either collected in cash or invoiced to customers are recorded as Accrued income and uncollected cash in points-of-sale.

2 Revenue

Geographical analysis of revenue by destination	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
United Kingdom	179,189	146,002
	179,189	146,002
Revenue in the period includes amounts arising from		
Sale of goods	156,274	127,206
Provision of services	22,915	18,796
	179,189	146,002

All turnover relates to the Company's principal activity.

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

3 Loss before taxation

	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
Loss before taxation is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	13,332	12,639
Depreciation of leased tangible fixed assets	1,090	795
Amortisation of intangible assets	2,111	87
Operating lease charges:		
- Plant and machinery	263	170
- Others	5,829	4,579
Non-recurring items*	6,529	10,324
Auditor's remuneration	181	110
Fees payable to the auditor for non-audit services	-	-
Foreign exchange (gain) loss	(1,718)	166

*Non-recurring items include £6,529,000, which were predominantly employee costs relating to time spent completing the integration of the Selecta and Pelican Rouge businesses and subsequent severance costs, as well as property closure costs incurred in restructuring the group's operations.

4 Remuneration of directors

	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
Directors' emoluments	1,100	1,631
Company contributions to defined contribution pension schemes	16	21
	1,116	1,652

The emoluments of the highest paid director for the 15 months ended 31 December 2019 were £551,825 (year ended 30 September 2018: £671,747) excluding pension contributions of £Nil (year ended 30 September 2018: £Nil). During the period amounts totalling £198,325 (year ended 30 September 2018: £nil) were paid to one director for compensation for loss of office.

No (year ended 30 September 2018: none) directors had retirement benefits accruing under defined benefit schemes during the period.

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

5 Staff numbers and costs

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

	Number of employees	
	15 months ended 31 December 2019	Year ended 30 September 2018
Sales	120	98
Operations	1,053	1,096
Administration	307	344
	1,480	1,538

The aggregate payroll costs (including directors) of these persons were as follows:

	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
Wages and salaries	46,560	35,469
Social security costs	4,421	3,497
Other pension costs	851	667
	51,832	39,633

6 Finance income

	15 months ended 31 December 2019 £000	Year ended 30 September 2018 £000
Other income receivable from group undertakings	335	6
	335	6

7 Finance costs

	15 months ended 31 December 2019	Year ended 30 September 2018
	£000	£000
Interest payable to group undertakings	3,657	1,305
Other interest payable and similar charges	721	562
	4,378	1,867

8 Income tax expense

There has been no tax charge for the period (2018: £nil). The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	15 months ended 31 December 2019	Year ended 30 September 2018
	£000	£000
Loss before tax	(5,685)	(12,972)
Loss on ordinary activities before tax multiplied by the standard rate in the UK of 19% (2018: 19%)	(1,080)	(2,465)
Effects of:		
Fixed asset timing difference	(631)	2,418
Other timing differences	-	-
Expenses not deductible for tax purposes	(115)	422
(Losses utilised)/Losses carried forward	1,826	(375)
Total tax charge for the year	-	-

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 15 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The Finance Act 2020 amended the reduction to 17% and provided for a rate of 19%.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

9 Property, plant and equipment

	Leasehold improvements £000	Plant, machinery and motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 October 2018	1,126	84,637	9,128	94,891
Additions	283	13,283	665	14,231
Transfer from GEM Vending	-	730	41	771
Disposals	-	(11,741)	(107)	(11,848)
At 31 December 2019	1,409	86,909	9,727	98,045
Accumulated depreciation				
At 1 October 2018	806	61,771	7,840	70,417
Charge for the period	159	13,435	828	14,422
Disposals	-	(4,954)	(106)	(5,060)
At 31 December 2019	965	70,252	8,562	79,779
Net book amount				
At 31 December 2019	**444**	**16,657**	**1,165**	**18,266**
At 30 September 2018	**320**	**22,866**	**1,288**	**24,474**

The net book value of tangible fixed assets held under finance leases is £584,000 (2018: £1,813,000). Depreciation for the period on these assets was £1,090,000 (2018: £795,000).

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

10 Intangible assets

	Development Costs £000	Vending Rights £000	Customer List £000	Goodwill £000s	Total £000
Cost					
At 1 October 2018	695	-	-	-	695
Additions	709	2,250	-	-	2,959
Transfer from GEM Vending	-	-	3,091	1,700	4,791
31 December 2019	1,404	2,250	3,091	1,700	8,445
Amortisation					
At 1 October 2018	87	-	-	-	87
Amortisation	279	131	-	1,700	2,110
31 December 2019	366	131	-	1,700	2,197
Net Book Value					
At 31 December 2019	**1,038**	**2,119**	**3,091**	**-**	**6,248**
At 30 September 2018	608	-	-	-	608

Vending rights arose from payment under a ten year agreement to operate the vending estate of a large competitor.

The trade and assets of GEM Vending (a subsidiary company) were transferred to Selecta U.K. Limited during the year. The Customer list was recognised at this time.

Goodwill of £245,000 was included in the assets transferred from GEM Vending with further Goodwill of £1,455,000 recognised on the transfer of assets. The Goodwill is considered to have no economic value and has been fully amortised in the period.

11 Investments

	Shares in Subsidiary Undertakings £000
COST	
At 1 October 2018	-
Additions	4,954
Disposals	-
At 31 December 2019	4,954
PROVISION FOR IMPAIRMENT	
At 1 October 2018	-
Impairment of Investments	-
Recognised on transfer of assets	(4,546)
At 31 December 2019	(4,546)
NET BOOK AMOUNT	
At 31 December 2019	408
At 30 September 2018	-

During the period the company acquired the 100% of the share capital of GEM Vending Limited. The trade and assets of this business was transferred to Selecta U.K. Limited during the year and the customer list and Goodwill were recognised at this point reducing the value of the investment.

The directors consider that that carrying value of the investments is supported by their underlying net assets. All the above investments are unlisted.

Details of the subsidiaries are as follows:

SUBSIDIARY COMPANIES

	Registered Office	Nature of business	Nature of interest
GEM Vending Limited	(1)	Dormant	Direct
Allen Vending Limited	(1)	Dormant	Indirect

i. Apollo House, Odyssey Business Park, West End Road, Ruislip. HA4 6QD

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

12 Inventories

	31 December 2019 £000	30 September 2018 £000
Raw materials and consumables	2,578	2,022
Finished goods and goods for resale	11,729	9,191
	14,307	11,213

Inventories are stated after impairment of £nil (2018: £nil).

13 Trade and other receivables

	31 December 2019 £000	30 September 2018 £000
Amounts falling due within one year		
Trade receivables	15,247	18,503
Amounts owed by group undertakings	2,014	10,508
Prepayments and accrued income	3,308	2,372
	20,569	31,383
Amount falling due after one year		
Amount owed by group undertakings	-	-
Prepayments and accrued income	116	216
Total trade and other receivables	20,685	31,599

Trade receivables include amounts subject to non-recourse financing where customer balances have been factored with banks. The cash received by the company is not returnable and carries interest at variable rates. The Company will not make good any losses and the relevant banks have confirmed their acceptance of this position in writing.

Trade receivables are stated after provision for impairment of £1,294,000 (2018: £1,473,000).

Interest of 2.47% is receivable on intercompany cash pooling facilities. All other amounts owed by group undertakings are unsecured, interest free and generally have no fixed date of repayment.

Selecta U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

14 Creditors

	31 December 2019 £000	30 September 2018 £000
Amounts falling due within one year		
Trade payables	20,486	26,688
Obligations under finance leases and hire purchase contracts	554	905
Amounts owed to group undertakings	11,957	13,054
Taxation and social security	3,531	3,571
Accruals and deferred income	6,399	8,518
	42,927	52,736
Amounts falling due after more than one year		
Amounts owed to Group undertakings	33,847	31,797
Obligations under finance leases and hire purchase contracts	254	1,117
	34,101	32,914

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. The interest rate applied during 2019 was fixed at 6.9% (2018: 6.9%). In respect of amounts due after more than one year, confirmations have been obtained from these undertakings that payment will not be required within 12 months of the date of approval of the financial statements.

15 Provisions for liabilities

	31 December 2019 £000	30 September 2018 £000
At 1 October 2018	2,349	326
Utilised during the period	(793)	(96)
Transferred from GEM Vending Limited	20	358
Provided (released) during the period	(927)	1,761
At 31 December 2019	649	2,349

The provisions relate to the future rent expense of vacant leasehold properties which are not currently used for ongoing operations and dilapidation provisions representing the liability to restore certain leasehold properties to their original condition at the termination of the relevant leases.

16 Called up share capital

	Called up share capital
	£000
Issued, allotted and fully paid	
At 1 October 2017: 100 ordinary shares of £1 each	-
Issue of 100 Ordinary shares of £1 each	-
At 30 September 2018 200 ordinary shares of £1 each	-
At 31 December 2019 200 ordinary shares of £1 each	-

During the year to 30 September 2018 the Company issued 100 ordinary shares of £1 each in order to settle the liability of £2,297,000 owed to its parent company, Selecta U.K. Holding Limited, resulting in an increase in share capital of £100 and share premium of £2,297,000, respectively.

17 Deferred tax

The elements of deferred taxation are as follows:

	Unrecognised		Recognised	
	31 December 2019 £000	30 September 2018 £000	31 December 2019 £000	30 September 2018 £000
Difference between accumulated depreciation and capital allowances	15,840	16,012	-	-
Other temporary differences	-	-	-	-
Tax losses carried forward	644	4,063	-	-
Impact of change in tax rate	-	-	-	-
Deferred tax asset	16,484	20,075	-	-

Deferred tax assets have not been recognised as the Directors do not believe there is sufficient evidence that these will be recovered through the generation of taxable profit in the near future.

Notes to the financial statements for the 15 months ended 31 December 2019 (continued)

18 Finance Lease

Obligations under finance leases are as follows:

	31 December 2019 £000	30 September 2018 £000
Amounts payable under finance lease		
Not later than one year	595	988
Later than one year and not later than five years	275	1,159
Later than five years	-	-
Total gross payments	870	2,147
Less future finance charges	(62)	(125)
Carrying value of liability	808	2,022

It is the Company's policy to lease certain of its equipment under finance leases. The lease term is either 3 years or 6 years. For the 15 months ended 31 December 2019, the average effective borrowing rate was 4.1 per cent. 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.

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The Company's obligations under finance leases are secured by the lessors' rights over the leased assets.

19 Capital Commitments

	31 December 2019 £000	30 September 2018 £000
Contracted for but not provided for		
Purchase of plant and equipment	83	249

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	2019 Land and buildings £000	2019 Other £000	2018 Land and Buildings £000	2018 Other £000
Operating leases payments:				
Within one year	1,053	1,962	1,650	2,659
Within two to five years	1,860	950	5,157	2,796
More than five year	482	-	1,295	-
	3,395	2,912	8,102	5,455

20 Pension schemes

Selecta UK Holding Limited operates a defined benefit pension scheme in the United Kingdom, which is identified as the Selecta (UK) Pension Plan (the "Plan"). The Group accounts for this plan as a defined benefit plan because it is exposed to risks as explained below.

With effect from October 2004 the Plan was closed to new members and to future accrual on 31 March 2015. This resulted in a curtailment in the year ended 29 March 2015. The scheme valuation has been updated by an independent qualified actuary for the 15 months ended 31 December 2019 for IFRS purposes.

Other subsidiaries in the United Kingdom are also participating employers in the Plan. Individual companies are unable to identify their share of the underlying assets and liabilities as each employer is exposed to the actuarial risks associated with current and former employees of other entities that have participated in the Plan over its lifetime.

As at 31 December 2019, the surplus of assets over liabilities in the Plan amounts to £58,100,000 (2018: £48,600,000), which is recognised in the financial statements of Selecta UK Holding Limited, the sponsoring employer.

The most recent calculation according to local regulation was carried out with a reference date of 31 March 2018. The Group had agreed with the Trustee of the Plan that annual deficit funding payments would cease whilst the scheme has a funding surplus.

If the Plan's assets are insufficient to cover the benefits promised to members, Selecta UK Holding Limited might need make contributions. The assets of the Plan are held in a trust and are separate from those of that company.

Event of Wind-Up
In the event that the Plan is wound up, then Selecta UK Holding Limited will be responsible for 100% of any deficit in funding level, calculated on a wind-up valuation basis at the time the scheme is wound up. It has been further agreed that if the scheme is in surplus when it is finally closed, then any remaining funds will be allocated 100% to Selecta UK Holding Limited.

Defined contribution schemes
The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company. These plans are accounted for as defined contribution plans because the Group has no other obligation than to pay the annual contribution which is a fixed percentage of the pensionable base and which is for the cost of benefit accrual in the current year. The Group has no legal or constructive obligation for these plans to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods nor is the Group entitled to refunds if the fund has a surplus. Membership to the schemes is open to new employees. The total pension cost for these schemes for the 15 months were £851,000 (2018: £667,000). At the balance sheet date, an amount of £190,000 (2018: £137,000) was outstanding for payment.

21 Related Parties

Normal trading transactions occur between the company and companies within the Selecta BV Group. The consolidated financial statements of Selecta BV Group are publicly available and accordingly, as a result of the exemption allowed by FRS 101 "Related Party Disclosures", no disclosure of these transactions is made in the company's financial statements.

22 Ultimate controlling party

Selecta Group BV is the intermediate parent company and parent of the largest and smallest Group for which consolidated financial statements are drawn up for the 15 months ended 31 December 2019 and of which the Company is a member. Selecta Group BV is a company incorporated in The Netherlands, (Company Number: KvK-nummer 34256233).

The financial statements can be obtained from that company's registered address:
Selecta Group BV
Overseiestraat 61-5
Amsterdam 1062 XD
The Netherlands

23 Transfer of trade and assets

On 30 November 2019 the company acquired the trade and assets of GEM Vending Limited, a subsidiary company acquired earlier in the period. The assets and liabilities acquired are as follows:

	£000
Intangibles	245
Tangible assets	771
Current Assets	1,292
Current Liabilities	(1,697)
Amounts due after more than one year	(60)
Provisions	(20)
Deferred Tax	(123)
Net assets transferred	**408**

24 Subsequent events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The UK government has taken stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

24 Subsequent events (continued)

For the company's 31 December 2019 financial statements, the Covid-19 pandemic and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the company cannot reasonably estimate the impact these events will have on the company's financial position, results of operations or cash flows in the future.

To fund the Selecta group's current general corporate and working capital requirements shareholders initially provided an additional € 50 million loan facility.

The term of the facility will be one year from the closing date of the facility agreement. Loans under the Facility bear interest at rates per annum equal to EURIBOR (subject to a zero percent floor) plus a margin of 3.50% per annum.

The Selecta group has subsequently completed a comprehensive recapitalisation of the Group, with the full backing of its shareholders.

The transaction will provide the financial strength and flexibility to not only forge a path through the current challenging environment but also to drive future growth, capitalise on new opportunities and come out the other side of the Covid-19 crisis stronger and better. In summary the transaction:

i. provides €175 million of new money from the shareholders by way of a cash funding of €125 million and the settlement of €50 million outstanding under a super senior liquidity provided in March 2020;
ii. relieves material cash interest;
iii. extends debt maturities through 2026;
iv. significantly deleverages the balance sheet at the level of the operating business; and demonstrates broad support from all key stakeholders and commitment to Selecta's future

As a result, the Group will benefit from increased operating flexibility, is in a strong position to execute on the strategic business plan and to work with its clients and its business partners to deliver an industry-leading consumer experience and service.