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Selecta U.K. Limited

Annual report and financial statements

For the year ended 31 December 2020

Registered number 02605313

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Selecta U.K. Limited

Annual report and financial statements for the year ended 31 December 2020

Contents

Selecta U.K. Limited

Directors and advisors for the year ended 31 December 2020

Directors

W Mulligan	(resigned 28 January 2020)
D Flochel	(resigned 14 July 2020)
M Schwartz	(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 and resigned 1 April 2021)
T Venus	(appointed 21 October 2020)
P Gautier	(appointed 1 April 2021)

Registered office
Apollo House
Odyssey Business Park
West End Road
Ruislip
Middlesex
HA4 6QD

Banker
National Westminster Bank plc
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

Independent auditor
KPMG LLP
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

Registered number
02605313

Selecta U.K. Limited

Strategic Report for the year ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020. The comparative financial period was for the 15 months ended 31 December 2019.

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 year 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 £ 30,526,000 on a turnover of £ 83,001,000 (15 months ended 31 December 2019: loss £5,685,000 on a turnover of £179,189,000). Losses for the year were after non-recurring costs of £ 8,012,000 (15 months ended 31 December 2019: £6,529,000) including costs of completing the integration of the Selecta and Pelican Rouge Groups in the UK and harmonisation of accounting policies. At 31 December 2020, the net liabilities were £ 43,855,000 (2019: net liabilities £13,329,000).

No dividend was paid or is proposed for the year (2019 : £-).

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 53% (2019: 54%). 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.

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 year to 31 December 2020 to allow the business to build on the benefits from introduction of telemetry routing introduced in the year to 31 December 2020 and to be developed further in the following year.

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 year to 31 December 2020 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 2021.

Selecta U.K. Limited

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (cont.)

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 Company was significantly impacted by the pandemic and the related decrease in mobility and office presence which has negatively impacted the financial performance of the year. Despite the pandemic the Company continued to operate in all of its markets during 2020.

In addition to the downsides in revenue, the pandemic had the following main impacts on the financial performance in 2020:

- The Company received support from the UK government for employees on short-term work which was used to adapt resources to short term demand changes. The compensation received amounts to £8,297,000 and was offset in the income statement against employee benefit expense.
- There were decisive and rapid actions implemented in order to partially mitigate the adverse impact on both income statement and liquidity. Amongst others, the actions include strict cost saving measures and re-negotiation of contracts with focus on the fixed vending rents.
- A detailed structural review to ensure the Company is positioned for future growth was performed which resulted in a plan to permanently reduce full time employees from roughly 1,540 in 2019 to 920 by the end of H1 2021. The execution of the plan already started in 2020 and was successfully achieved in Q2 2021. £ 230,000 provisions for restructuring were considered as of 31 December 2020 in accordance with IFRS and recognised in employee benefit expenses.
- As the Company expects a sustainable impact from the current pandemic resulting in lower revenues from the existing business as well as an impairment on customer contracts in the amount of £1,048,000 has been recognised in the income statement.

There is still uncertainty over the development of the crisis and its impact on the future financial performance of the Company. Provided the solid cash position and the successful re-negotiation of the Selecta Group bondholder agreements, Management continues to be convinced to have the adequate resources to continue in operations at least for the next 12 months until the sign-off of the financial statements 2021. The Company is part of the Selecta Group BV (the "Group"), 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 Company.

The going concern assumption therefore remains appropriate. The conclusion is supported by the measures already taken by Management to mitigate the decline in revenue, especially the adoption of the Company to its new size of revenue.

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 U.K. Limited

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (cont.)

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.

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.

DocuSigned by:
Paul Hearne
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P Hearne
Director
Date 11/19/2021

Selecta U.K. Limited

Directors' report for year ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

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.

On 1 April 2021 the trade and assets of Express Vending Limited, a company acquired by the Selecta Group in 2018 and operating in the UK, were transferred to Selecta U.K. Limited. Operating as a single UK entity is expected to deliver significant benefits and cost savings in 2021.

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 (2019: £-).

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 year ended 31 December 2020 (continued)

Directors

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

W Mulligan	(resigned 28 January 2020)
D Flochel	(resigned 14 July 2020)
M Schwartz	(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 and resigned 1 April 2021)
T Venus	(appointed 21 October 2020)
P Gautier	(appointed 1 April 2021)

Statement of directors' performance of their statutory duties in accordance with s172 of the Companies Act 2006

The board of directors consider that they have acted in a way they consider in good faith, that would most likely promote the success of the company for the benefit of its shareholders (whilst having regard to the stakeholder requirements set out in s172(1)(a-f) of the act) in the decisions taken in the year ended 31 December 2020. The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our employees, customers, suppliers and community as a whole

The following summarises how the directors have fulfilled their duties with regards to s172:

Our People

The company consistently provides employees with information on matters that are of concern to them, consulting them regularly so that their views and needs can be taken into account. Employee involvement in the company is encouraged, achieving common awareness on financial and economic factors affecting the business. This is done through regular updates by the directors and leadership team.
Regular updates are delivered to the employees via regular video presentations available on a platform accessible to all and keep all viewers informed on current developments within the company
Shareholders

The board is committed to openly engaging with our shareholders. We recognise the importance of a continuing effective dialogue. This is achieved through delivering clear communication, receiving feedback and addressing questions effectively.

Shareholders

The board is committed to openly engaging with our shareholders. We recognise the importance of a continuing effective dialogue. This is achieved through delivering clear communication, receiving feedback and addressing questions effectively.

Community and the Environment

We strive to maintain a reputation of high standards in our business conduct. We manage this by developing and maintaining strong relationships within the community we interact and do our best to leverage our expertise and enable colleagues to support the communities around us.

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Statement of directors' performance of their statutory duties in accordance with s172 of the Companies Act 2006 (continued)

Greenhouse Gas & Carbon reporting

In our business plan, we have a long term commitment to reducing carbon emissions.

We plan to address carbon emissions in a number of different ways:

Respecting our environment

- Refurbishing our machines – of all the vending machines we installed in 2020, nearly half had been refurbished to the highest standards
- Reusing and recycling cups – All of our cups are recyclable and every paper cup is either PEFC or FSC certified.

Sourcing responsible products

- Responsible procurement and roasting – In 2020 our Pelican Rouge roastery received an EcoVadis Gold Award for CSR. Selecta Group roast about 14,000 tonnes of coffee per year, of which 57% is certified by Fairtrade, UTZ or Rainforest Alliance.
- Ethical business practices – We have enhanced and renewed our supplier code of conduct to make sure that our suppliers commit to more responsible sourcing practices and respecting human rights.

For 2020 the energy consumed by the company measured in kWh was 14,501,000 (2019: Not Measured), equivalent to 3,670 tonnes of CO^2. Energy usage has been calculated from vehicle fuel usage together with available information on energy used at the company's locations and converted to carbon equivalents using approved conversion factors
The directors believe the most relevant Intensity factor is CO^2 emissions per £1m of revenue. In the current financial year this ratio was 44.2 tonnes

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

DocuSigned by:
Paul Hearne
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P Hearne
Director
Date 11/19/2021

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

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.

Independent auditor's report to the members of Selecta U.K. Limited

Opinion

We have audited the financial statements of Selecta U.K. Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit/loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Selecta U.K. Limited (cont.)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unexpected accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Selecta U.K. Limited (cont.)

Context of the ability of the audit to detect fraud or breaches of l/aw or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and , the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8 , the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

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Independent auditor's report to the members of Selecta U.K. Limited (cont.)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Terri Coughlan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD
Date 19 November 2021

Selecta U.K. Limited

Income Statement for the for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Unaudited 15 months ended 31 December 2019 £000
Revenue	2	**83,001**	**179,189**
Cost of sales		**(39,216)**	**(82,667)**
Gross profit		**43,785**	**96,522**
Administrative expenses		**(69,856)**	**(98,164)**
Loss before finance charges		**(26,071)**	**(1,642)**
Finance income	6	**-**	**335**
Finance costs	7	**(4,455)**	**(4,378)**
Loss before taxation	3	**(30,526)**	**(5,685)**
Income tax expense	8	-	-
Loss for the financial period / year		**(30,526)**	**(5,685)**

All the above results have been derived from continuing operations.

Statement of Other Comprehensive Income for year ended 31 December 2020

There were no items of other comprehensive income for the year ended 31 December 2020 (2019: £nil).

The notes on pages 16 to 37 form an integral part of these financial statements.

Selecta U.K. Limited

Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £000	Unaudited 31 December 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	9	23,166	18,266
Intangible assets	10	4,994	6,248
Investments	11	408	408
		28,568	24,922
Current assets			
Inventories	12	11,318	14,307
Trade and other receivables	13	15,380	20,685
Cash and cash equivalents		3,542	4,434
		30,240	39,426
Total assets		58,808	64,348
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	14	(55,036)	(42,927)
		(55,036)	(42,927)
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(46,005)	(34,101)
Provisions for liabilities	15	(1,622)	(649)
		(47,627)	(34,750)
Total liabilities		(102,663)	(77,677)
Net liabilities		(43,855)	(13,329)
Equity			
Called up share capital	16	-	-
Share premium		2,297	2,297
Profit and loss account		(46,152)	(15,626)
Total equity		(43,855)	(13,329)

These financial statements were approved by the board of directors on 11/19/2021 and were signed on its behalf by:

P HEARNE

DocuSigned by:

Paul Hearne

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Director

Registered number 02605313

The notes on pages 16 to 37 form an integral part of these financial statements.

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Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £000	Share Premium £000	Capital Contribution Reserve £000	Profit and Loss Account £000	Total £000
Balance at 1 October 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 unaudited	**-**	**2,297**	**-**	**(15,626)**	**(13,329)**
Loss for the period	-	-	-	(30,526)	(30,526)
Total comprehensive income for the year	-	-	-	(30,526)	(30,526)
Balance at 31 December 2020	**-**	**2,297**	**-**	**(46,152)**	**(43,855)**

The notes on pages 16 to 37 form an integral part of these financial statements.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020

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 (1.5(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

For the 2019 period end, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies and therefore the accounts for the period ended December 2019 were unaudited.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

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 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 based and downside cash flow forecasts for the period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds, through funding from its intermediate parent company (Selecta AG) 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 2020 amounted to £56,641,000 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. 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.

Furthermore, Selecta AG has successfully raised additional finance from it's existing shareholders to support the wider group through the impact of the COVID-19 outbreak.

Explanation of the different going concern scenarios that have been considered, with particular focus on what key assumptions regarding COVID-19 have been made. In subjecting assumptions to stress-tests the following scenarios have been evaluated:

- Savings in capital expenditure planned for future years from re-use of assets are not realised
- Revenue and margins do not significantly return to pre COVID-19 levels with profitability improvements mainly from restructuring steps
- Cost inflation at levels that are not recovered through development of pricing
- Further revenue reductions from future lockdown periods

In all cases the reduced cashflows still support the going concern assumption, taking account of the support from Selecta AG.

Management continuously reviews mitigating actions that could be taken to further improve liquidity. These include actively managing cash flow through rigorous cost control, debtor collections, managing staffing costs proportionate to revenue and the use of facilities made available by the government to the Company.

There have been no material post balance sheet changes to liquidity.

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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.4 IFRS16 Leases

The Group has initially adopted IFRS 16 "Leases" by choosing the modified retrospective approach as of 1 January 2020. As permitted under the specific transitional provisions in the standard, no restatement of the comparatives for the 15 months reporting period ended 31 December 2019 was required. The reclassifications and the adjustments arising from the new leasing accounting requirements are therefore recognized in the opening balance sheet on 1 January 2020. The switch to IFRS 16 has no impact on equity as of 1 January 2020.

On adoption of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 "Leases". The lease liabilities were initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate could be readily determined. For all other lease liabilities, the present value was measured of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2020. The average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 3.8%.

For leases previously classified as finance leases the entity recognized the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the right-of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- to grandfather the assessment of which the transactions are leases,
- reliance on previous assessments on whether leases are onerous,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application and
- the use of hindsight in determining the lease term when the contract contains an option to extend or terminate the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For all classes of underlying assets, the Group has elected not to separate non-lease components from lease components and instead to account for each lease component and any associated non-lease component as a single lease component.

The reconciliation of payment obligations from operating leases as at 31 December 2019 for initial recognition as at 1 January 2020 is as follows:

Obligations from operating leases as at 31 December 2019	6,307
Lease contracts and options previously not taken into account	4,624
Discounting	-
Carrying amount of finance lease liabilities as at 31 December 2019	808
Lease liabilities as at 1 January 2020	11,739

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.4 IFRS16 Leases (continued)

The adoption of IFRS 16 had the following impact on the consolidated balance sheet as at 1 January 2020:

	Unaudited 31 December 2019 reported	IFRS16 impact	1 January 2020
Assets			
Leasehold Buildings	444	2,505	2,949
Plant Machinery & Motor Vehicles	16,657	7,426	24,083
Fixtures fittings & equipment	1,165	-	1,165
Property, plant and equipment	**18,266**	**9,931**	**28,197**
Total non-current Assets	**24,922**	**9,931**	**34,853**
Total current assets	**39,426**	**-**	**39,426**
Total assets	**64,348**	**9,931**	**74,279**
Liabilities			
Finance lease liabilities / Lease liabilities	(554)	(3,362)	(3,916)
Total current Liabilities	**(42,927)**	**(3,362)**	**(46,289)**
Finance lease liabilities / Lease liabilities	(254)	(6,569)	(6,823)
Total non-current liabilities	**(34,750)**	**(6,569)**	**(41,319)**
Total liabilities	**(77,677)**	**(9,931)**	**(87,608)**
Net Liabilities	**(13,329)**	**-**	**(13,329)**
Total equity	**(13,329)**	**-**	**(13,329)**

In the reporting period, other operating expenses were decreased by £ 4,605,000 while the depreciation and amortisation expense as well as the interest expenses included in finance costs were increased by £ 4,313,000 due to the application of IFRS 16.

1.5 Significant accounting policies

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

1.5 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.

<u>Sale of goods</u>

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.

<u>Rendering of services</u>

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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.5 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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.5 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

The Group leases certain property, plant and equipment. At inception of a contract, it is assessed whether the contracts is, or contains, a lease.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.5 Significant accounting policies (continued)

All leases, except for low-value and short-term leases, are capitalised on the balance sheet. Leases are capitalised at the lease's commencement. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current liabilities. The interest element of the finance cost and depreciation of the right-of use assets are charged to the Statement of profit or loss over the lease period. The property, plant and equipment acquired is depreciated over the shorter of the useful life of the asset or the lease term.

(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) Government Grants

Government Grants consist of government support through the Coronavirus Job Retention Scheme. The purpose of the scheme is to provide grants to employers to ensure that they can retain and continue to pay staff, despite the effects of the COVID-19 pandemic. The grant has been treated as a reduction in underlying staff costs and is recognised on submission of the claim to the government

(r) 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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1.5 Significant accounting policies (continued)

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

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
Geographical analysis of revenue by destination	**£000**	**£000**
United Kingdom	**83,001**	**179,189**
	83,001	**179,189**
Revenue in the period includes amounts arising from		
Sale of goods	**67,663**	**156,274**
Provision of services	**15,338**	**22,915**
	83,001	**179,189**

All turnover relates to the Company's principal activity.

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Loss before taxation

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Loss before taxation is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	7,543	13,332
Depreciation of leased tangible fixed assets	4,689	1,090
Amortisation of intangible assets	1,601	2,111
Operating lease charges:		
- Plant and machinery	106	263
- Others	377	5,829
Non-recurring items*	8,012	6,529
Auditor's remuneration	205	181
Fees payable to the auditor for non-audit services		-
Foreign exchange (gain) loss	2,495	(1,718)

*Non-recurring items include £8,012, 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

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Directors' emoluments	752	1,100
Company contributions to defined contribution pension schemes	-	16
	752	1,116

The emoluments of the highest paid director for the year ended 31 December 2020 were £336,042 (15 months ended 31 December 2019: £551,825) excluding pension contributions of £Nil (15 months ended 31 December 2019: £Nil). During the period amounts totalling £166,666 (15 months ended 31 December 2019: £198,325) were paid to one director for compensation for loss of office.

No (15 months ended 31 December 2019: none) directors had retirement benefits accruing under defined benefit schemes during the period.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (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	
	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
Sales	113	120
Operations	936	1,053
Administration	278	307
	1,327	1,480

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

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Wages and salaries	32,306	46,560
Social security costs	2,966	4,421
Other pension costs	883	851
Government Grant – Coronavirus Job Retention Scheme	(8,297)	-
	27,858	51,832

6 Finance income

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Other income receivable from group undertakings	-	335
	-	335

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Finance costs

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Interest payable to group undertakings	3,715	3,657
Lease interest expense	567	-
Other interest payable and similar charges	173	721
	4,455	4,378

8 Income tax expense

There has been no tax charge for the period (2019: £nil). The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 December 2020	Unaudited 15 months ended 31 December 2019
	£000	£000
Loss before tax	(30,526)	(5,685)
Loss on ordinary activities before tax multiplied by the standard rate in the UK of 19% (2019: 19%)	(5,800)	(1,080)
Effects of:		
Fixed asset timing difference	1,766	(631)
Other timing differences		-
Expenses not deductible for tax purposes	139	(115)
(Losses utilised)/Losses carried forward	3,895	1,826
Total tax charge for the year	-	-

Factors affecting current and future tax charges

The Finance Act 2020 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 year ended 31 December 2020 (continued)

9 Property, plant and equipment

	Leasehold Buildings £000	Plant, machinery and motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2020	1,409	86,909	9,727	98,045
Application of IFRS16	2,505	7,426	-	9,931
Additions	65	4,706	134	4,905
Modifications IFRS16	3,660	727	-	4,387
Disposals	(18)	(7,181)	-	(7,199)
At 31 December 2020	7,621	92,587	9,861	110,069
Accumulated depreciation				
At 1 January 2020	965	70,252	8,562	79,779
Charge for the period	841	10,733	658	12,232
Modifications IFRS16	402	(105)	-	297
Disposals	(18)	(5,387)	-	(5,405)
At 31 December 2020	2,190	75,493	9,220	86,903
Net book amount				
At 31 December 2020	**5,431**	**17,094**	**641**	**23,166**
At 31 December 2019	**444**	**16,657**	**1,165**	**18,266**

The net book value of tangible fixed assets held under finance leases is £ 12,993,000 (2019: £584,000). Depreciation for the period on these assets was £ 4,689,000 (2019: £1,090,000).

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Intangible assets

	Development Costs £000	Vending Rights £000	Customer List £000	Goodwill £000s	Total £000
Cost					
At 1 January 2020	1,404	2,250	3,091	1,700	8,445
Additions	347	-	-	-	347
31 December 2020	1,751	2,250	3,091	1,700	8,792
Amortisation					
At 1 January 2020	366	131	-	1,700	2,197
Amortisation	328	225	1,048	-	1,601
31 December 2020	694	356	1,048	1,700	3,798
Carrying Value					
At 31 December 2020	**1,057**	**1,894**	**2,043**	**-**	**4,994**
At 31 December 2019	**1,038**	**2,119**	**3,091**	**-**	**6,248**

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 previous year. The Customer list was recognised at this time.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Investments

	Shares in Subsidiary Undertakings £000
COST	
At 1 January 2020	4,954
Additions	-
Disposals	-
At 31 December 2020	4,954
PROVISION FOR IMPAIRMENT	
At 1 January 2020	(4,546)
Impairment of Investments	-
Recognised on transfer of assets	-
At 31 December 2020	(4,546)
CARRYING VALUE	
At 31 December 2020	408
At 31 December 2019	408

During the previous 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 previous 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 year ended 31 December 2020 (continued)

12 Inventories

	31 December 2020 £000	Unaudited 31 December 2019 £000
Raw materials and consumables	2,563	2,578
Finished goods and goods for resale	8,755	11,729
	11,318	**14,307**

Inventories are stated after impairment of £nil (2019: £nil).

13 Trade and other receivables

	31 December 2020 £000	Unaudited 31 December 2019 £000
Amounts falling due within one year		
Trade receivables	12,982	15,247
Amounts owed by group undertakings	1,637	2,014
Prepayments and accrued income	761	3,308
	15,380	**20,569**
Amount falling due after one year		
Amount owed by group undertakings	-	-
Prepayments and accrued income	-	116
Total trade and other receivables	**15,380**	**20,685**

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 £2,229,000 (2019: £1,294,000).

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 year ended 31 December 2020 (continued)

14 Creditors

	31 December 2020 £000	Unaudited 31 December 2019 £000
Amounts falling due within one year		
Trade payables	14,650	20,486
Obligations under finance leases and hire purchase contracts	3,636	554
Amounts owed to group undertakings	23,878	11,957
Taxation and social security	4,099	3,531
Accruals and deferred income	8,773	6,399
	55,036	42,927
Amounts falling due after more than one year		
Amounts owed to Group undertakings	36,970	33,847
Obligations under finance leases and hire purchase contracts	9,035	254
	46,005	34,101

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. The interest rate applied during 2020 was fixed at 6.9% (2019: 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 2020 £000	Unaudited 31 December 2019 £000
At 1 January 2020	649	2,349
Utilised during the period	(125)	(793)
Transferred from GEM Vending Limited	-	20
Provided (released) during the period	1,098	(927)
At 31 December 2020	1,622	649

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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16 Called up share capital

	Called up share capital
	£000
Issued, allotted and fully paid	
At 31 December 2019 200 ordinary shares of £1 each	-
At 31 December 2020 200 ordinary shares of £1 each	-

During the 15 months to 31 December 2019 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 2020	31 December 2019	31 December 2020	31 December 2019
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	10,831	15,840	-	-
Other temporary differences	-	-	-	-
Tax losses carried forward	3,896	644	-	-
Impact of change in tax rate	-	-	-	-
Deferred tax asset	**14,727**	**16,484**	-	-

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.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

18 Finance Lease

Obligations under finance leases are as follows:

	31 December 2020 £000	Unaudited 31 December 2019 £000
Amounts payable under finance lease		
Not later than one year	4,375	595
Later than one year and not later than five years	10,626	275
Later than five years	-	-
Total gross payments	15,001	870
Less future finance charges	(2,330)	(62)
Carrying value of liability	12,671	808

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 year ended 31 December 2020, 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 2020 £000	Unaudited 31 December 2019 £000
Contracted for but not provided for		
Purchase of plant and equipment	-	83

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

	2020 Land and buildings £000	2020 Other £000	Unaudited 2019 Land and Buildings £000	Unaudited 2019 Other £000
Operating leases payments:				
Within one year	-	-	1,053	1,962
Within two to five years	-	-	1,860	950
More than five year	-	-	482	-
	-	-	3,395	2,912

Notes to the financial statements for the year ended 31 December 2020 (continued)

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 year ended 31 December 2020 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 2020, the surplus of assets over liabilities in the Plan amounts to £ 65,500,000 (2019: £58,100,000), 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 year were £641,000 (2019: £851,000). At the balance sheet date, an amount of £139,000 (2019: £190,000) was outstanding for payment.

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

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 year ended 31 December 2020 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
Spicalaan 39
2132 JG Hoofddorp
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**

Selecta U.K. Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

24 Subsequent events

On 1 April 2021 the trade and assets of Express Vending Limited, a company acquired by the Selecta Group in 2018 and operating in the UK, were transferred to Selecta U.K. Limited. Operating as a single UK entity is expected to deliver significant benefits and cost savings in 2021.

In August 2021, the Trustees of the Selecta (UK) Pension Plan completed a £250m full scheme buy in agreement with Legal & General Assurance Society ("L&G") by purchasing a bulk annuity policy and securing the benefit payments of pensioners and deferred members. The transaction is part of the Trustee's strategy to reduce as much of the Plan's exposure to risk as possible and provide long term security to the members of the Plan. Under the bulk annuity policy, the Trustee will receive payments from L&G which it will use to pay pensions and other benefits under the Plan. The buy in also significantly reduces future pension and funding risk from the Company's point of view, providing more business certainty for stakeholders and aligns with actions taken in supporting and securing members benefits.