

Regulatory Story

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Uvenco UK plc - UVEN Half-year Report
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Uvenco UK plc
29 September 2017

Uvenco UK plc ("the Company" or "the Group")

Interim Results

Uvenco UK plc today announces its unaudited interim results for the six months ended 30 June 2017.

CHAIRMAN'S STATEMENT

I am pleased to report the unaudited results of Uvenco UK plc for the six months ended 30 June 2017.

Financial Highlights*

- Turnover decreased by 8.5% to £6,861,000 (H1 2016 : £7,496,000)
- Operating profit before depreciation and amortisation (Adjusted EBITDA**) increased to £283,000 (H1 2016: loss of £1,373,000)
- Net cash outflow from operating activities improved significantly to £613,000 (H1 2016: outflow of £1,906,000)
- Net debt as at 30 June 2017 decreased by 20.6% to £2,022,000 (30 June 2016: £2,546,000)
- Loss per share decreased to 0.6p per share (H1 2016: 3.2p per share)

* comparative figures for the 6 month period to 30 June 2016, following the change of year-end in 2016 from 30 September to 31 December

** Adjusted EBITDA is defined as profit before finance income and charges, depreciation, exceptional items, amortisation and loss on disposal of fixed assets and tax

Operations and Strategy

During the six months to 30 June 2017, we have continued our progress with reshaping and turning around the business. Following the success of the Midlands Depot change in the product delivery chain we have now extended the initiative to the Northern Depot as well. Our operators and merchandisers receive their weekly stock directly to their vans allowing us to decrease the warehousing capacity and labour costs while also reducing working capital. The lease on the Northern Depot expires at the end of 2017, giving us further opportunities for rationalisation.

Our 24U application is being rolled out within the NHS, with the latest Queen Elizabeth NHS deal partly refinanced through a sub lease facility. We have continued investing in the sales force further increasing our headcount in London with two additional senior professionals.

The Group has received a non-binding offer for the sale and lease back of the Drinkmaster premises in Cornwall. Should the deal progress according to management's expectation, we will be able to reduce the Group's debt by £450,000.

The Snack in The Box division is scheduled to participate in the national franchising exhibition in Birmingham in mid-October 2017 while trialling a scheme to attract new franchisees and distributors in regions which have historically not been covered.

Jeremy Hamer

Chairman
29 September 2017

Sergei Kornienko, Chief Executive Officer, commented: "Every day hundreds of people start their day with a cup of Uvenco coffee from Uvenco coffee machines. We dedicate all our time and efforts to ensure that they enjoy these moments by constantly focusing on quality and sustainability. Brexit uncertainty and the sterling exchange rate do add some pressure on our business but this is common to the whole British economy."

For further information:

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Copies of this half yearly financial report are available on the Company's website www.uvenco.co.uk

UVENCO UK PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED 30 JUNE 2017

	Note	Six months to 30 Jun 17 (Unaudited) £000	9 months to 31 Dec 16 (Audited) Restated £000	Six months to 30 Jun 16 (Unaudited) Restated £000
Revenue		6,861	10,857	7,496
Cost of sales		<u>(3,023)</u>	<u>(4,731)</u>	<u>(3,336)</u>
Gross profit		3,838	6,126	4,160
Distribution and administration expenses		<u>(4,072)</u>	<u>(6,869)</u>	<u>(6,391)</u>
Adjusted EBITDA		<u>283</u>	<u>324</u>	<u>(1,373)</u>
Depreciation		(350)	(566)	(176)
Amortisation		(21)	(51)	105
Loss on disposal of fixed assets		(40)	(345)	307
Exceptional items	7	(106)	(105)	(1,094)
Operating Loss		(234)	(743)	(2,231)
Exceptional profit		-	1,571	-
Finance costs		<u>(235)</u>	<u>(407)</u>	<u>(71)</u>
Loss before tax		(469)	421	(2,302)
Income tax credit/(charge)		<u>-</u>	<u>(67)</u>	<u>(51)</u>
Loss for the financial period		<u>(469)</u>	<u>354</u>	<u>(2,353)</u>
Total comprehensive income for the period		(469)	354	(2,353)
Basic loss per share	5	(0.6)p	0.5p	(3.2)p
Diluted loss per share	5	(0.6)p	0.5p	(3.2)p

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the period as set out above.

Both the loss and the total comprehensive income for the above periods are attributable in totality to the Equity holders of the Company.

UVENCO UK PLC
CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2017

	Note	30-Jun 2017 (Unaudited) £000	31-Dec 2016 (Audited) £000	30-Jun 2016 (Unaudited) £000
ASSETS				
Non-current assets				

Property, plant and equipment	2,410	2,914	3,311
Intangible assets	699	719	824
	3,109	3,633	4,135
Current assets			
Inventories	1,161	897	1,036
Receivables and prepayments	1,926	1,802	1,779
Cash and cash equivalents	144	289	(352)
	3,231	2,988	2,463
TOTAL ASSETS	6,340	6,621	6,598
LIABILITIES			
Current liabilities			
Trade and other payables	(3,437)	(3,604)	(3,955)
Short term borrowings	(1,187)	(1,312)	(1,099)
Provisions	-	-	-
	(4,624)	(4,916)	(5,054)
Non-current liabilities			
Deferred tax liability	(224)	(224)	(239)
Long-term borrowings	(979)	(499)	(1,095)
	(1,203)	(723)	(1,334)
Total liabilities	(5,827)	(5,639)	(6,388)
Net assets	513	982	210
EQUITY			
Equity share capital	1,529	1,529	1,492
Share premium account	12,796	12,796	12,722
Share option reserve	375	375	375
Capital redemption reserve	1,274	1,274	1,274
Warrant reserve	2,236	2,236	2,236
Retained earnings	(17,697)	(17,228)	(17,889)
TOTAL EQUITY	513	982	210

UVENCO UK PLC
CONSOLIDATED CASHFLOW STATEMENT
PERIOD ENDED 30 JUNE 2017

	Six months to 30 Jun 17 (Unaudited) £000	Six months to 30 Jun 16 (Unaudited) £000
Cash flows from operating activities		
Loss before taxation	(469)	(2,302)
Exceptional items	106	1,094
Loss before taxation and exceptional items	(363)	(1,208)
Depreciation	350	176
Amortisation	21	(105)
Finance costs	235	71
Loss on disposal of fixed assets	40	(307)
Operating cashflow pre-exceptional costs	283	(1,373)
Exceptional Items	(106)	(1,094)
Operating cash flow post-exceptional costs	177	(2,467)
(Increase)/Decrease in inventories	(264)	91
(Increase)/Decrease in trade and other receivables	(124)	142
(Increase)/Decrease in trade and other payables	(167)	450
Cash generated/(used) from operations	(378)	(1,784)
Interest paid	(235)	(71)
Tax paid	-	(51)
Net cash outflow from operating activities	(613)	(1,906)

Cash flows from investing activities		
Purchase of property, plant and equipment	114	1,309
Net cash used in investing activities	114	1,309
Cash flows from financing activities		
New loans/(Payments) of long-term borrowings	480	(228)
Movement in short-term borrowings	(126)	151
Shares issued in period	-	45
Net cash received/(used) in financing activities	354	(32)
Net decrease in cash and cash equivalents	(145)	(629)
Cash and cash equivalents at start of period	289	277
Cash and cash equivalents at end of period	144	(352)

UVENCO UK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIOD ENDED 30 JUNE 2017

	Share Capital	Share Premium	Capital Redemption Reserve	Share Option Reserve	Warrant Reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 16	1,492	12,721	1,274	375	2,236	(17,582)	516
Profit for the period	-	-	-	-	-	1,095	1,095
Balance at 30 September 2016	1,492	12,721	1,274	375	2,236	(16,487)	1,611
Issue of shares (net of proceeds)	37	75	-	-	-	-	112
Loss for the period	-	-	-	-	-	(741)	(741)
Balance at 31 December 2016	1,529	12,796	1,274	375	2,236	(17,228)	982
Loss for the period	-	-	-	-	-	(469)	(469)
Balance at 30 June 2017	1,529	12,796	1,274	375	2,236	(17,697)	513

UVENCO UK PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2017

1. GENERAL INFORMATION

Uvenco UK plc is a public limited company incorporated in England and Wales under the Companies Act 2006 (registered number 06135746). The Company is domiciled in the United Kingdom and its registered address is 17 Rufus Business Centre, Ravensbury Terrace, London, SW18 4RL. The Company's shares are traded on the AIM market of the London Stock Exchange.

The principal activities of the Group is the sale and operation of hot drink and snack vending machines, the operation of free on loan vending machines via a franchise division and the production and supply of "in-cup" drinks and associated equipment.

2. BASIS OF ACCOUNTING

These interim financial statements for the period ended 30 June 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The merger method of accounting has been adopted, following a group reconstruction involving Uvenco UK plc and SnackTime UK Limited. The acquisition of Snack in a Box Limited was accounted for using acquisition accounting in accordance with IFRS 3 "Business Combinations". The acquisition of Vendia UK Limited was accounted for using acquisition accounting in accordance with IFRS 3 "Business Combinations".

All companies in the Group use sterling as presentational and functional currency.

The information presented within these interim financial statements is in compliance with IAS 34 'Interim Financial Reporting'. This requires the use of certain accounting estimates and requires that management exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the interim financial statements are disclosed below.

SnackTime UK Limited has elected not to apply IFRS 3, Business Combinations retrospectively to past business combinations prior to the date of transition.

The financial information contained in this report, which has not been audited, does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The Company's statutory financial statements for the period ended 31 December 2016, prepared under IFRS have been filed with the Registrar of Companies.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The principal areas where judgement was exercised is as follows:

- Property, plant and equipment includes the value of the vending machine estate. The Directors annually assess both the residual value of these assets and the expected useful life of such assets.
- The Directors have estimated the useful economic lives of intangible assets. The economic lives and the amortisation rates are reviewed annually by the directors.
- The Group receives branding fees to contribute to the installation and refurbishment of vending machines. The Directors are required to assess the amounts receivable at each reporting date and whether all the conditions have been met to enable these to be recognised.
- Sales from vending machines are recognised at the point of sale to the customer. At each year end, the Directors are required to make an estimate of sales where the vending machine has not been emptied or inspected at the year-end date.

4. REVENUE

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods and services supplied, excluding VAT and trade discounts. Revenue for goods sold from vending machines is recognised at the date of sale. Revenue in respect of installation and refurbishment of branded vending machines is recognised at the date of installation or refurbishment. Franchising fees are recognised when the franchisee starts trading. Managed estate sales are recognised in full once the customer has taken over operation of the machine.

5. LOSS/EARNINGS PER SHARE

Earnings per share is calculated on the basis of profit for the period after tax, divided by the weighted average number of shares in issue for the period ended 30 June 2017 of 76,464,119 (H1 2016 - 74,246,459).

6. SEGMENT INFORMATION

The Group has three main reportable segments:

- Specialist drinks - The manufacture and sale of single portion beverages called 'Drinkpacs' together with the sale of associated food and drink products.
- Franchising - The marketing and franchising of operations in the provision of snack solutions.
- Vending - Vending activities.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring profits/losses, such as goodwill impairment, and the effects of share-based payments.

Inter-segment sales are priced on the same basis as sales to external customers, with an appropriate discount being applied to encourage use of group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the period.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities. Loans and borrowings are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Group position.

Segmental Profit & Loss	Specialist drinks	Franchising	Vending	Total
Six months to 30 June 2017	2017	2017	2017	2017
	£	£	£	£
Revenue				
Total revenue	1,226	557	5,312	7,095
Inter-segmental revenue	-	-	(235)	(235)
Group's revenue per consolidated statement of comprehensive income	<u>1,226</u>	<u>557</u>	<u>5,077</u>	<u>6,860</u>
Depreciation	(92)	(41)	(218)	(351)
Amortisation	-	(21)	-	(21)
Operating profit/(loss) before exceptional items	<u>(5)</u>	<u>227</u>	<u>(109)</u>	<u>113</u>
Exceptional costs included within administration expenses and finance expense				(106)
Head office costs				(241)
Finance expense				<u>(235)</u>
Group loss before tax				<u><u>(469)</u></u>

Segmental Profit & Loss	Specialist drinks	Franchising	Vending	Total
Six months to 30 June 2016	2016	2016	2016	2016
	£	£	£	£
Revenue				
Total revenue	1,795	622	5,450	7,867
Inter-segmental revenue	(371)	-	-	(371)
Group's revenue per consolidated statement of comprehensive income	<u>1,424</u>	<u>622</u>	<u>5,450</u>	<u>7,496</u>
Depreciation	(88)	(35)	(53)	(176)
Amortisation	-	105	-	105
Impairment				-
Segmental operating loss/(profit) before exceptional items	<u>(54)</u>	<u>55</u>	<u>1,323</u>	<u>1,324</u>
Exceptional costs included within administration expenses and finance expense				(1,094)
Head office costs				(2,461)
Finance expense				<u>(71)</u>
Group loss before tax				<u><u>(2,302)</u></u>

Segmental Balance Sheet	Specialist drinks	Franchising	Vending	Head office	Total
30 June 2017	2017	2017	2017	2017	2017
	£	£	£	£	£
Additions to non-current assets	42	-	237	-	279
Total Group assets	<u>1,076</u>	<u>208</u>	<u>8,144</u>	<u>(3,088)</u>	<u>6,340</u>
Reportable segment liabilities	<u>(661)</u>	<u>(180)</u>	<u>(3,108)</u>	<u>(774)</u>	<u>(4,723)</u>
Loans and borrowings (excluding leases, loan notes and overdrafts)					(879)
Deferred tax liabilities					<u>(224)</u>
Total Group liabilities					<u><u>(5,826)</u></u>

Segmental Balance Sheet	Specialist drinks	Franchising	Vending	Head office	Total
30 June 2016	2016	2016	2016	2016	2016
	£	£	£	£	£
Additions to non-current assets	42	-	32	7	81
Total Group assets	<u>1,220</u>	<u>(686)</u>	<u>4,620</u>	<u>1,445</u>	<u>6,599</u>

Reportable segment liabilities	(568)	(310)	(2,549)	(961)	(4,388)
Loans and borrowings (excluding leases, loan notes and overdrafts)					(1,762)
Deferred tax liabilities					(239)
Total Group liabilities					<u>(6,389)</u>

7. EXCEPTIONAL COSTS

	6 months ended 30 June 2017 £000	6 months ended 30 June 2016 £000
Redundancy and reorganisation	(106)	(951)
Costs relating to legal and associated	-	(143)
Total exceptional costs	<u>(106)</u>	<u>(1,094)</u>

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