



Key Note

Market Report 2007

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Automatic Vending

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Executive Summary

Sales of products through vending machines rose by 2.8% in 2006 to £3.52bn. The number of vending machines in operation also increased to 1.3 million, an increase of 3.1% on 2005. Sales growth in the vending market between 2002 and 2006 outperformed the increase in household expenditure on food and non-alcoholic beverages over the same period.

The three main sectors of the vending market are refreshment machines; cigarette and tobacco machines; and other vending machines. The largest sector is refreshment machines, which includes hot and cold drinks, snacks, confectionery, sandwiches and meals. The fastest-growing sector between 2002 and 2006 was other machines, which includes a wide range of non-food and beverage items, such as newspapers and magazines, personal care products and condoms. Sales of cigarettes through vending machines have demonstrated the slowest rate of growth since 2002 and are now accounting for a steadily declining percentage of the market. Health concerns and the removal of cigarette machines from some locations by operators have contributed to the situation.

A number of new legislative measures are expected to have an impact on the UK automatic vending industry. These include: the EU directive on the Waste Electrical and Electronic Equipment (WEEE), which is the main legislation applicable to vending machines at the end of their life; The Restriction of Hazardous Substances Regulations (RoHS) Directive, which restricts the use of certain hazardous substances in electrical and electronic equipment (including vending machines); and the European Food Safety Regulation, which requires all food businesses to base their food safety management on what are called Hazard Critical Control Point Principles (HACCP).

From September 2007, vending machines in schools will only be able to stock products such as edible seeds, unsalted nuts, and fruit and vegetables. No confectionery, chocolate or crisps will be allowed and the only other drinks available will be water, milk, pure fruit juices, yoghurt and milk drinks, low-calorie hot chocolate, tea and coffee. To meet these requirements, many of the leading vending companies have launched new ranges of healthy option snacks, most of which have limited amounts of calories, fat, sodium and added sugar.

Key Note forecasts that the sale of products through vending machines will continue to rise between 2007 and 2011, as the number of machines in use increases further and the range of products that can be purchased continues to widen. The introduction of more healthy options to vending machines should also help to increase their appeal to a wider range of consumers and technological developments such as cashless payment systems should similarly help to boost sales.

1. Market Definition

REPORT COVERAGE

Automatic vending is the sale or free delivery of items via a vending machine.

Vending machines are used globally to automatically dispense products in an array of environments for a diverse range of products. This can vary from hot foodstuffs through beverages and confectionery to non-food machines. Most machines are coin operated, although the number of cashless vending systems is increasing, especially in the workplace where smart cards or tokens are used as alternatives.

The largest sector of the market by value is the vending of refreshments, including food, hot beverages and soft drinks. The other main vending items sold are cigarettes, tobacco products and condoms, although the range of products available is increasing.

Not covered by this report are coin- or token-operated gambling and amusement machines, personal weighing machines, ticket machines at car parks, public telephones, photocopiers, photo booths and business/greeting card printing machines.

MARKET SECTORS

The market can be split into three main sectors, dependent on the type of merchandise vended:

- refreshment machines
- cigarette/tobacco machines
- other machines.

Refreshment Machines

Refreshment vending has long been the largest market sector and has traditionally been dominated by beverages vending. The main categories of the refreshments vended are:

- hot and cold beverages
- cold drinks in bottles, cans or cartons
- confectionery
- savoury cold snacks (e.g. crisps)
- savoury hot snacks (e.g. pizzas)
- other snacks

- sandwiches
- cooked/chilled dishes (to be heated in an adjacent microwave)
- plated meals
- ice cream.

Cigarette/Tobacco Machines

Cigarette vending is the second-largest sector of the market. This sector is contracting due to falls in the numbers of smokers in the UK and also voluntary bans on smoking in a wide range of locations — which has in turn led to a decline in the number of cigarette vending machines sited. The compulsory ban on smoking in certain enclosed public places in the UK, which is set to be introduced in 2007, is expected to bring about a further decline in the market.

Other Machines

The other machines sector continues to expand as more products are made available through vending sales. One of the largest categories is washroom machines, which include condom sales, sanitary products, tissues, toothpaste, hygiene products and toiletries. Other products now available in machines include:

- cameras/films
- CDs and DVDs
- greetings cards
- magazines/newspapers
- medicines
- mobile telephones and accessories
- nappies
- perfume
- sports balls, consumables and kits
- stationery goods
- tickets/stamps
- tights/stockings.

MARKET TRENDS

Decline in the Number of Smokers Continues

There is an ongoing decline in the number of smokers in the UK. In the mid-1970s, more than half of the male adult population and 40% of the female population smoked. However, by 2005, the percentage of men smoking was down to around a quarter of the population and the percentage of women smoking was below a quarter. This downward trend is set to continue, with the percentage of smokers falling even further by the end of the decade.

Trend Towards More Healthy Vended Food and Drinks

The need for vended foods and beverages to meet government guidelines on healthy choices (particularly in schools) has resulted in the leading operators developing new product ranges to meet these requirements. For example, many snacks now contain reduced or limited amounts of calories, fat, sodium and added sugar. On the same theme, the Health Education Trust (HET) has also launched a *Real Choice* initiative to help raise the standard of school food and drink vending provision.

Technological Developments

New generations of vending machines are likely to have a far wider range of functions available and products for sale than those at the present time. For example, they could sell items such as ringtones, provide pre-pay top-up vouchers for mobile phones, burn CDs, allow customers to play computer games and act as jukeboxes. The future of promotional vending is also being developed, with the introduction of heat-sensitive or 'Heat & Reveal' vending cups that have a variety of uses.

More Legislation for the Automatic Vending Operators

A raft of recent legislation including the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction of Hazardous Substances Regulations (RoHS) and new EU food hygiene guidelines has been introduced — or is about to be introduced — which will impact on the automatic vending industry. Over the next few years, the industry is likely to be faced with further legislative measures, including ones that cover areas such as energy efficiencies and the use of refrigerants.

ECONOMIC TRENDS

Gross Domestic Product

The UK economy expanded steadily between 2001 and 2005, with gross domestic product (GDP) increasing by 22.8% in current terms over the period and by 10.2% in chain-linked terms. A strong economy is an important requirement for the automatic vending industry as it encourages investment in the sector in terms of research and development (R&D) and new designs. However, many of the products sold in vending machines are low priced and are therefore not directly affected by changing economic conditions.

Table 1: UK Gross Domestic Product at Current and Annual Prices (£m), 2001-2005

	2001	2002	2003	2004	2005
Current prices	996,987	1,048,767	1,110,296	1,176,527	1,224,461
<i>% change</i>					
<i>year-on-year</i>	-	5.2	5.9	6.0	4.1
Annual chain-linked					
GDP	1,059,648	1,081,469	1,110,296	1,146,523	1,167,758
<i>% change</i>					
<i>year-on-year</i>	-	2.1	2.7	3.3	1.9
<i>GDP — gross domestic product</i>					
<i>Source: National Accounts, Main Aggregates 1948-2005, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>					

Population

The UK population reached 60.2 million in 2005, a 0.6% increase on 2004 and 1.9% higher than in 2001. Within these overall increases, the structure of the population is gradually changing, with the older age groups accounting for an increasing proportion of the total. This trend is likely to have a negative impact on vending sales as children and teenagers are key users of vending machines. Purchases of vended products by the older age groups are not traditionally as high.

Table 2: UK Resident Population Estimates by Sex (000), Mid-Years 2001-2005					
	†2001	2002	2003	2004	2005
Female	30,281	30,359	30,446	30,563	30,730
Male	28,832	28,963	29,108	29,271	29,479
Total	59,113	59,322	59,554	59,834	60,209
<i>% change year-on-year</i>	-	0.4	0.4	0.5	0.6
<i>† — census year</i>					
<i>Source: Monthly Digest of Statistics, November 2006, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>					

Inflation

UK inflation remained at 3% or lower throughout the review period, a trend that helped keep down some of the operating costs of the vending operators. However, other costs such as wage increases may be rising at above-inflation levels and, as a result of this, the prices of vended products often increase at a higher rate than the general rate of inflation.

Table 3: UK Rate of Inflation (%), 2001-2005					
	2001	2002	2003	2004	2005
Inflation (%)	1.8	1.6	2.9	3.0	2.8
<i>Percentage point change year-on-year</i>	-	-0.2	1.3	0.1	-0.2
<i>Note: inflation is at retail price index (RPI).</i>					
<i>Source: Monthly Digest of Statistics, November 2006, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>					

Unemployment

The UK continues to have one of the lowest unemployment rates in Europe. This aids the automatic vending sector as high employment levels support general consumer and business confidence. However, low levels of unemployment can also create problems for the vending industry by making it more difficult to fill job vacancies

Table 4: Actual Number of Unemployed Persons in the UK (million), 2001-2005

	2001	2002	2003	2004	2005
Actual number of claimants (million)	0.97	0.95	0.93	0.85	0.86
% change year-on-year	-	-2.1	-2.1	-8.6	1.2

Source: Monthly Digest of Statistics, November 2006, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Household Disposable Income

Per capita household disposable income increased by 14.4% between 2001 and 2005, to £13,324. Rising disposable income levels play their part in helping to sustain demand for vending services.

Table 5: UK Household Disposable Income Per Capita (£), 2001-2005

	2001	2002	2003	2004	2005
Household disposable income (£)	11,643	11,952	12,433	12,796	13,324
% change year-on-year	-	2.7	4.0	2.9	4.1

Source: Economic Trends, November 2006, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

MARKET POSITION

The UK

Sales of vended products in the UK are estimated to have accounted for 5.1% of household expenditure on food and non-alcoholic beverages. Between 2002 and 2005, household expenditure on food and non-alcoholic beverages increased by 9.4% and is estimated to have risen by a further 2.5% in 2006 (or 12.1% overall between 2002 and 2006). Sales through automatic vending machines are estimated to have increased by a slightly higher 13.5% between 2002 and 2006.

Table 6: UK Sales of Vended Products and Household Expenditure on Food and Non-Alcoholic Beverages at Current Prices (£bn at rsp and %), 2002-2006

	2002	2003	2004	2005	2006
Vending sales (£bn at rsp)	3.10	3.20	3.32	3.42	3.52
% change year-on-year [†]	-	3.2	3.8	3.1	2.8
Household expenditure on food and non-alcoholic beverages (£bn at rsp)	61.31	63.17	65.52	67.08	^e 68.75
% change year-on-year	-	3.0	3.7	2.4	2.5
Vending sales as a % of household expenditure on food and non-alcoholic beverages	5.1	5.1	5.1	5.1	5.1
<i>rsp — retail selling prices</i>					
<i>† — percentage change figures for vending sales are based on the data given in Table 7</i>					
<i>e — Key Note estimate</i>					
<i>Source: Consumer Trends, 2nd Quarter 2006, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)/Key Note</i>					

Overseas

The UK is one of Europe's leading markets for vending machines along with Italy, France, Germany and Spain. However, the world's two largest vending markets are Japan and the US. In 2005, the Japanese vending market was estimated to have been worth around \$60bn (£35bn), while the US automatic vending industry had revenues of approximately \$21.9bn (£12.8bn). These figures would suggest that the Japanese vending market is around ten times that of the UK market and the US market is almost four times as large (see Chapter 8 — The Global Market).

2. Market Size

THE TOTAL MARKET

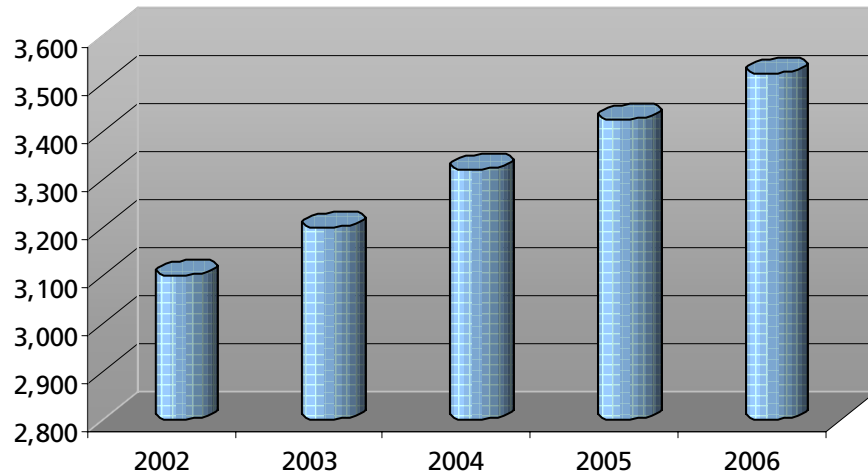
Key Note estimates that sales of refreshments, cigarettes and other products through vending machines increased by 2.8% in 2006 to £3.52bn, and are up by 13.5% since 2002.

The automatic vending sector continues to benefit from a number of positive influences, including increases in the quantity of machines in use, the sales of new products through vending machines, improvements in the quality of some of the refreshments sold and the introduction of new types of vending machines that have helped to develop and open up new markets. The siting of additional vending machines in busy locations, such as transport terminals (airports and railway stations), has also helped to boost and expand the market.

Table 7: The Total UK Automatic Vending Machine Market by Value at Current Prices (£m at rsp), 2002-2006

	2002	2003	2004	2005	2006
Value (£m at rsp)	3,100	3,200	3,320	3,424	3,520
% change year-on-year	-	3.2	3.8	3.1	2.8
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

Figure 1: The Total UK Automatic Vending Machine Market by Value at Current Prices (£m at rsp), 2002-2006



Source: Key Note

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Number of Machines in Use

The number of vending machines in use in the UK is estimated to have increased by 3.1% in 2006 to 1.3 million.

Refreshment machines are the largest sector of the market, with 598,900 units or 47.1% of the total. The main categories of refreshment machines are the free-standing traditional beverage machines (around 40% of the total), cold-beverage machines (around 15% of the total) and smaller compact, slimline machines (around 10% of the total). The remaining 35% of refreshment machines serve items such as confectionery and snacks. Refrigerated vending machines are thought to account for approximately 40% to 50% of the refreshment machines in use.

Vending machines that sell other types of products rose by 4% in 2006 to 536,500 units. There has been an increase in the range and number of products that are now considered suited to vending-machine sales and this has led to a corresponding rise in the number of vending machines that sell these items.

In comparison to the other two categories of vending machines, there has been a decrease since 2003 in the number of vending machines that sell tobacco products. In 2006, their numbers were reduced by a further 2.2% to 136,000 or 10.7% of the overall total.

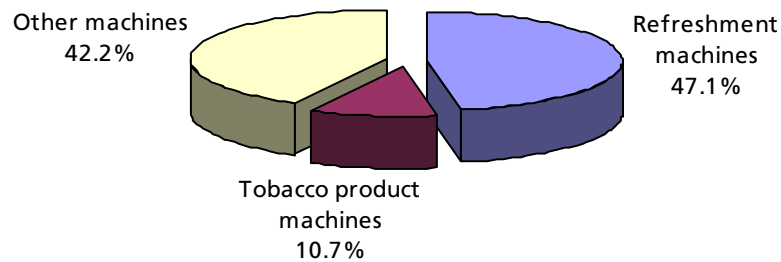
Table 8: Estimated Number of Automatic Vending Machines in Use in the UK by Sector, 2002-2006

	2002	2003	2004	2005	2006
Refreshment machines	514,500	530,000	556,500	578,700	598,900
<i>% change year-on-year</i>	-	3.0	5.0	4.0	3.5
Tobacco product machines	143,000	143,000	141,000	139,000	136,000
<i>% change year-on-year</i>	-	0.0	-1.4	-1.4	-2.2
Other machines	461,000	477,100	496,000	515,800	536,500
<i>% change year-on-year</i>	-	3.5	4.0	4.0	4.0
Total	1,118,500	1,150,100	1,193,500	1,233,500	1,271,400
<i>% change year-on-year</i>	-	2.8	3.8	3.4	3.1

Source: Key Note

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Figure 2: Sector Share of Refreshment Machines in Use in the UK by Number (%), 2006



Source: Key Note

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BY MARKET SECTOR

Refreshment Machines

Hot and cold beverages, snacks, confectionery, sandwiches, and hot and cold meals are the largest sector of the UK vending sector. In 2006, sales of these items amounted to £2.19bn or 62.1% of the overall total. Between 2002 and 2006, the value of the market rose by 14.9%.

Coffee is the largest subsector, with around a quarter of sales. An increasing range of vended coffees, such as espresso, cappuccino and latte are now available, and this has helped to boost demand. The second most popular beverage is tea, which accounts for a further 20% of sales. Sales of tea have similarly benefited from a wider choice of available options, including herbal, flavoured and iced teas. Another of the larger sectors is canned drinks, which continue to be dominated by leading brands, such as Coca-Cola and Pepsi. Of the other vended beverages available, products such as hot chocolate and soups are popular.

Among the most popular vended foods available are confectionery, healthy snacks, cereal bars, and relatively new vended products, such as hot sandwiches and pizzas. In response to concerns over healthy options, many of the vending operators are removing confectionery items such as chocolate bars and sugary sweets from machines in schools and replacing them with more appropriate items.

Another important segment is the bottled water market. According to the British Water Cooler Association, the UK water cooler market is the largest in Europe, with more than 650,000 coolers installed. It is comprised of both bottled water coolers and more recently plumbed-in (POU) coolers, which dispense chilled mains tap water. Water coolers are not included in the market estimates given here.

Table 9: The UK Refreshments Machines Sector by Value at Current Prices (£m at rsp and %), 2002-2006

	2002	2003	2004	2005	2006
Value (£m at rsp)	1,902	1,961	2,035	2,100	2,185
<i>% change year-on-year</i>	-	3.1	3.8	3.2	4.0
<i>% share of total market</i>	61.4	61.3	61.3	61.3	62.1
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

Cigarette/Tobacco Machines

Cigarette vending machines are typically located in outlets such as transport facilities, public houses (pubs), entertainment venues and nightclubs. This is the second-largest sector of the market (by turnover), although it is one that is being affected by falls in the numbers of smokers in the UK, cigarette smuggling and the purchase of duty-free cigarettes, and government policies on smoking in public places.

In 2005, cigarette sales through vending machines fell slightly by 0.2% to £1.08bn, which was the first decline since 2002. The government's smoking ban (in public places), has already been introduced in Scotland and in advance of the ban being introduced in the rest of the UK in 2007, many venues outside of Scotland have already banned smoking in their establishments. The introduction of the ban in the rest of the UK is likely to result in further falls in the sales of vended cigarettes.

Table 10: The UK Cigarette/Tobacco Machine Sector by Value at Current Prices (£m at rsp and %), 2002-2006

	2002	2003	2004	2005	2006
Value (£bn)	1,008	1,038	1,061	1,082	1,080
% change year-on-year	-	3.0	2.2	2.0	-0.2
% share of total market	32.5	32.4	32.0	31.6	30.7
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

Other Product Machines

Other product machines cover a variety of items, such as sanitary products, mobile phones, medicines, headache tablets, newspapers, magazines and photographic film. This is the smallest sector of the market, although one that is viewed to have considerable growth potential. In 2006, the value of the market increased by a further 5.4% to £255m or 7.2% of the overall total.

Table 11: The UK Other Products Machine Sector by Value at Current Prices (£m at rsp and %), 2002-2006

	2002	2003	2004	2005	2006
Value (£bn)	190	201	224	242	255
% change year-on-year		5.8	11.4	8.0	5.4
% share of total market	6.1	6.3	6.7	7.1	7.2
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

OVERSEAS TRADE

General Overview

The UK runs a trade deficit in automatic vending machines, although the gap between imports and exports has narrowed since 2003, with the difference in 2005 being just £5m. The UK typically exports a higher value of vending machines than it imports, with the average cost of an exported machine in 2005 being £325.60 compared with an average imported cost of £103.10. The difference suggests that many of the imported machines may be of the less costly desk-top and portable type, while many of the exported machines may be of the more value-added, standalone variety.

Table 12: UK Overseas Trade in Automatic Vending Machines (£000, number and £), 2005**Exports**

Value (£000)	63,919
Number of machines	196,326
Average price per unit (£)	325.6

Imports

Value (£000)	68,886
Number of machines	668,091
Average price per unit (£)	103.1

Trade Balance

Value (£000)	-4,967
Number of machines	-471.765

Note: figures include postage stamps, cigarette, food, beverage and money-changing machines.

*Source: Overseas Trade Statistics, HM Revenue & Customs
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In contrast to the trade deficit in vending machines, the UK runs a trade surplus in the import and export of vending machine parts and components. This amounted to £12.2m in 2005 based on exports of £41.5m and imports of £29.4m.

Table 13: UK Overseas Trade in Vending Machine Parts and Components (£000), 2002-2005

	2002	2003	2004	2005
Exports (£000)	42,838	38,619	40,488	41,533
Imports (£000)	27,207	33,689	27,066	29,358
Trade balance	15,631	4,930	13,422	12,175

*Source: Overseas Trade Statistics, HM Revenue & Customs
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Imports

The two main sources of imports of vending machines into the UK are the US, which accounted for 25% of the overall total in 2005, and Italy, which accounted for 22.6%. The EU 25 countries together accounted for 45.7% of the total.

Table 14: Leading Sources of Imports for Automatic Vending Machines by Value (£000), 2006

	Value (£000)	% of Total
EU 25		
Italy	15,601	22.6
Spain	4,980	7.2
Germany	4,164	6.0
France	2,147	3.1
Other EU	4,586	6.7
Total EU 25	31,478	†45.7
Rest of World		
US	17,254	25.0
Others	20,154	29.3
Total rest of world	37,408	54.3
Total	68,886	100.0
<i>† — does not sum due to rounding</i>		
<i>Source: Overseas Trade Statistics, HM Revenue & Customs</i>		
<i>© Crown Copyright</i>		

Exports

The EU is the main export destination for UK vending machines with Germany, France, Italy and Spain being the four largest markets. Outside of the EU, the US is the leading export destination taking 10.2% of the total in 2005.

Table 15: Leading Export Markets for Automatic Vending Machines by Value (£000), 2005		
	Value (£000)	% of Total
EU 25		
Germany	10,038	15.7
France	9,597	15.0
Italy	7,097	11.1
Spain	6,998	10.9
Republic of Ireland	5,950	9.3
Belgium	2,250	3.5
Other EU 25	8,563	13.4
Total EU 25	50,493	78.9
Rest of World		
US	6,522	10.2
Others	6,904	10.8
Total rest of world	13,426	21.0
Total	63,919	100.0
<i>Source: Overseas Trade Statistics, HM Revenue & Customs © Crown Copyright</i>		

3. Industry Background

RECENT HISTORY

The main groups of businesses in the UK vending market are manufacturers of vending machines and components; machine operators that sell, distribute and maintain the machines; and the suppliers of products and merchandise for machines.

The machine distributor and operator sector is the largest in terms of company numbers, although it is also highly fragmented and extremely competitive. Much of the emphasis of these companies is on customer service and support, and 24-hour/7-day-a-week service agreements are sometimes required for contracts to be awarded.

There is relatively little takeover activity in the UK market, although several of the larger suppliers, including Automatic Products, Autobar and Bunzl Vending, have recently been acquired by, or acquired, other companies. One of the larger purchases involved the acquisition of the The Midshires Group by Bunzl PLC.

INDUSTRY SYNOPSIS

The financial performance of the vending machines operators is included in the ICC Plum database under the broad category of other non-store retail sales. This sector includes three categories of non-store retail sales, namely vending machines sales, door-to-door sales and mobile sales.

The majority of companies in this sector are fairly small, with the lower band operators averaging turnovers of just £7,000 a year and the upper band suppliers only generating average sales of £129,000. The smallest companies tend to be one-man businesses, which are often loss-making. The median-sized companies typically operate at around break even. It is only the largest companies that appear to be able to produce any sort of profitable returns from their operations.

Table 16: Financial Results for Other Non-Store Retail Sales (£000, % and £), 2006

	Lower	Median	Upper
Turnover (£000)	7	47	129
Pre-tax profit (£000)	-2	1	11
Pre-tax profit margin (%)	-8.27	2.70	13.88
Turnover/employee (£)	9,000	37,216	69,244
Average remuneration (£)	3,188	6,812	13,899
Working capital/turnover (%)	12.60	0.00	-18.97
Turnover/fixed assets (%)	5.36	8.72	16.11
Total debt/net worth (%)	265.44	78.86	24.02
Current ratio (%)	0.50	0.99	1.47

Note: this comparison is based on the results of 3,336 companies in the same industrial sector: Other non-store retail sale.

Source: ICC Plum database

Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.

NUMBER OF COMPANIES

In 2006, 9,355 UK VAT-based enterprises were engaged in other non-store retail sales activities. 21.8% of these companies had sales of less than £49,000 a year and 55.8% had turnovers of less than £100,000. Only 40 of the companies (most of which are likely to be vending machine manufacturers, suppliers or operators) had sales in excess of £5m a year.

Membership levels of the main trade organisations provide a more specific insight into the number of companies operating within the UK automatic vending industry. The Automatic Vending Association (AVA) currently has around 230 members, the National Independent Vending Operators (NIVO) is believed to have around 300 members, most of whom come from the smaller vending companies, and the National Association of Cigarette Machine Operators (NACMO) is reported to have more than 200 members.

Among the largest companies in this report are: Sinclair Collis Ltd, the specialist cigarette vending operator, which had a turnover of £151.6m in the year ending 30th September 2005; Selecta UK Ltd, the vending arm of Compass Group PLC, which had a turnover of £74.7m in the year ending 30th September 2005; and Bunzl Vending Services Ltd, which had a turnover of £51.1m in 2005.

Table 17: Number of UK VAT-Based Enterprises Engaged in Other Non-Store Retail Sales by Turnover Sizeband (number and %), 2006

Turnover Sizeband (£000)	Number of Enterprises	% of Total
1-49	2,040	21.8
50-99	3,180	34.0
100-249	2,610	27.9
250-499	755	8.1
500-999	435	4.6
1,000-4,999	300	3.2
5,000+	40	0.4
Total	†9,355	100.0

† — does not sum due to rounding to nearest five by source

*Source: UK Business: Activity, Size and Location 2006, National Statistics
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EMPLOYMENT

In 2006, 90.8% of the UK VAT-based enterprises engaged in other non-store retail sales employed up to four workers at most and 97.4% of companies employed less than ten workers. Less than 1% of the companies employed more than 20 workers and only 0.1% employed more than 100.

Among the leading employers in the industry are Selecta UK with 1,124, Bunzl Vending Services with around 999 staff, and Huhtamaki (UK) Ltd with 805. Among the medium-sized employers are Coffee Point PLC with 608 staff members, 24seven Vending Ltd with 336, and Sinclair Collis with 323. Among the medium to smaller-sized employers are Crane Merchandising Systems with 133 employees, Autonumis Ltd with 111 and Westomatic Vending Services with 92 workers.

Key Note estimates that between 15,000 and 20,000 people are employed in the automatic vending sector overall, with the largest numbers being employed by the machine operators and distributors.

Table 18: Number of UK VAT-Based Enterprises Engaged in Other Non-Store Retail Sales by Employment Sizeband (number and %), 2006

Employment Sizeband	Number of Enterprises	% of Total
0-4	8,475	90.8
5-9	620	6.6
10-19	180	1.9
20-49	40	0.4
50-99	10	0.1
100-249	5	0.1
250+	5	0.1
Total	9,335	100.0

*Source: UK Business: Activity, Size and Location 2006, National Statistics
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REGIONAL VARIATIONS IN THE MARKETPLACE

The UK vending sector is highly fragmented and diverse. For example, many of the small vending companies serve specialised and local markets, while some of the larger vending companies operate on a regional basis. Several of the largest companies, including 24seven Vending, Bunzl Vending Services, Selecta UK and Sodexho Vending Services, operate throughout the UK.

The largest concentration of enterprises engaged in other non-store retail sales activities are found in the South East, the South West and the North West. A far smaller number of companies operate in the North East and in Northern Ireland.

Table 19: Number of UK VAT-Based Enterprises Engaged in Other Non-Store Retail Sales by Government Regional Office (number and %), 2006

	Number of Enterprises	% of Total
North East	270	2.9
North West	1,080	11.5
Yorkshire and Humberside	915	9.8
East Midlands	725	7.7
West Midlands	915	9.8
East	915	9.8
London	615	6.6
South East	1,625	17.4
South West	1,090	11.7
Wales	425	4.5
Scotland	620	6.6
Northern Ireland	160	1.7
Total	9,355	100.0

*Source: UK Business: Activity, Size and Location 2006, National Statistics
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DISTRIBUTION

The distribution of vending machines is undertaken on a number of levels. First, the vending operators — often under contract — source and site the machines, and also provide service, maintenance and cleaning plus filling and cash collecting. There is a large number of local vending operators in the UK.

Secondly, the machine manufacturers design and build the machines. Although some manufacturers sell direct to the vending users, most only sell to vending operators or distributors.

Thirdly, product suppliers (such as confectionery and snack manufacturers) supply the machines with their products in order to offer an alternative to the other operators. These arrangements are generally run on a do-it-yourself (DIY) basis, with the individual site owner taking responsibility for machine filling and cleaning. Maintenance will normally be organised by the product supplier.

Finally, finance houses (sometimes referred to as the leasing company) can be used to provide the finance for the purchase of many vending machines.

HOW ROBUST IS THE MARKET?

The vending market and demand for vended products are fairly robust. Many of the prices charged for vended products are fairly low and their purchase is not usually affected by economic downturns. The sector can also benefit from the closure of staff canteens and restaurants, and the contracting out by employers of their catering needs to contract caterers and vending equipment suppliers. However, severe economic depressions or changes in the structure of the working population can have an adverse effect on demand. For example, the vending market in the US has been affected by a reduction in the number of blue-collar workers in employment, as these workers are some of the main buyers of vended products in the US.

It also appears that there is a high drop-out rate of VAT-based enterprises engaged in other non-store retail sales, with 22.2% of the companies making it to their tenth year of operation. This is half the percentage for UK businesses overall.

Table 20: Number of UK VAT-Based Enterprises Engaged in Other Non-Store Retail Sales by Age of Business (number and %), 2006

	Number of Enterprises	% Share of Total	% of All UK Businesses
Less than 2 years	2,495	26.7	16.7
2 to 3 years	1,825	19.5	14.6
4 to 9 years	2,960	31.6	24.6
10 or more years	2,075	22.2	44.1
Total	9,355	100.0	100.0

*Source: UK Business: Activity, Size and Location 2006, National Statistics
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LEGISLATION

Waste of Electrical and Electronic Equipment

The EU directive on the Waste of Electrical and Electronic Equipment (WEEE) is the main legislation applicable to vending machines at the end of their life. The directive stipulates that a nominated percentage of materials have to be recovered from the machine and recycled appropriately.

Vending machines typically have a 10-year lifespan, including those with refurbished parts. At eventual end of life, the machine is usually purchased by a recycling broker who breaks the product down, recovers the Ozone Depletion Potential (ODP) gases and sells the separated metallic components for scrap. As with many other commercial refrigeration products, many of the recovered components are reused for spares within other products and, as such, very few of the products are landfilled. Products that cannot be reused easily include the plastic branding, damaged seals and plastics.

The implementation of the WEEE Directive in the UK is imminent and it should help to ensure that sufficient quantities of materials are recovered and recycled for each category.

Restriction of Hazardous Substances Regulations

The Restriction of Hazardous Substances Regulations (RoHS) Directive restricts the use of certain hazardous substances in electrical and electronic equipment (including vending machines).

The regulations are running parallel to the WEEE Directive and, from 1st July 2006, it banned the placing on the EU market of new electrical and electronic equipment containing more than agreed levels of certain materials (such as lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl [PBB] and polybrominated diphenyl ether [PBDE] flame retardants). Manufacturers will need to ensure that their products and their components comply with the directive. In the UK, the Regulations are being implemented by the Department of Trade and Industry (DTI) and will be policed by Weights and Measures. The RoHS Directive was transposed into UK law and laid before Parliament in October 2005.

Mains Water

Water is a major ingredient in drinks from beverage vending machines and the quality of water supplied to vending machines is therefore of paramount importance. The quality of water provided to buildings is specified by Directive 98/83 on the quality of water intended for human consumption, which was implemented in the UK in 2000. This Directive requires that water shall be free from any micro-organisms, parasites and any substances which, in numbers or concentrations, constitute a potential danger to human health. The microbiological contaminants identified in the Directive are *Escherichia coli* (E.coli) and Enterococci species, both of which are required to be absent in a 100 millilitre (ml) sample.

Water in a Vending Machine

Water, in whatever form, when dispensed from a vending machine is by definition a food. As such, the requirements that apply are those contained in the Food Safety (General Food Hygiene) Regulations 1995 and not the drinking water regulations. Hence, the microbiological testing that is carried out on water from a vending machine is done in the context of the requirements of the general food hygiene regulations, rather than in the context of the drinking water regulations applicable to mains water. Although there are no specific microbiological standards in the general food hygiene regulations, they do require that water used in food production must not adversely affect the wholesomeness of the finished product. The supply to which a vending machine is connected should comply with this requirement.

Food Safety Act

From 1st January 2006, new EU food hygiene legislation has applied throughout the UK. The legislation introduces a 'farm to fork' approach to food safety, by including primary production (that is, farmers and growers) in food hygiene legislation. The legislation also:

- modernises, consolidates and simplifies the previous EU food hygiene legislation
- applies effective and proportionate controls throughout the food chain, from primary production to sale or supply to the final consumer
- focuses controls on what is necessary for public health protection
- clarifies that it is the primary responsibility of food business operators to produce food safely.

All food businesses should be registered with the competent authority, such as the Meat Hygiene Service or the local authority environmental health department, depending on the type of business. The new legislation also requires food business operators (except farmers and growers) to put in place, implement and maintain a permanent procedure, or procedures, based on Hazard Analysis Critical Control Points (HACCP) principles. The legislation is structured so that it can be applied flexibly and proportionately according to the size and nature of the food business.

KEY TRADE ASSOCIATIONS

The main UK-based trade association is the AVA, of which many UK manufacturers and importers are members. The AVA is a member of the European Vending Association (EVA), and the EVA itself works in partnership with the North American and Japanese vending associations, resulting in a reasonably well-defined global structure. Through their range of working groups or committees, all of these bodies work across an array of issues covering, among others, energy performance and end-of-life matters.

Automatic Vending Association

The AVA is the leading trade association for the UK vending industry. The Association has around 230 members in the UK and the Republic of Ireland, and covers machine manufacturing, operating, distribution, ingredients supply and miscellaneous supply sectors. The AVA also runs a quality system for vending service operating companies and all operator members must hold AVA Quality Assured Status (or hold a current ISO9000 certificate). AVA promotes and runs the International Vending Exhibition (AVEX) held every 2 years in the UK (the next event will take place at Earl's Court, London, in April 2007), publishes technical documents, a regular newsletter, VENDInform, and an annual vending census.

British Water Cooler Association

The British Water Cooler Association (BWCA) was established in 1989 (originally called the Bottled Water Cooler Association) to represent the interests of the bottled water cooler industry in the UK. Its members, all of whom must adhere to a strict code of practice, are predominantly bottlers of water and distributors of water coolers, although the Association also admits membership from equipment and material suppliers to the industry. The member companies range from small private concerns to large multinational corporations.

The BWCA has an ongoing relationship with key government ministries and agencies including Agriculture, Food Standards and Environment. It also liaises with regional Trading Standards Offices and Environmental Health Departments. At a European level, the BWCA is represented by the European Bottled Watercooler Association (EBWA).

European Vending Association

The EVA represents the whole of the European vending industry including machine, machine component and accessories manufacturers, ingredient suppliers and operators. The primary aim of the EVA is to optimise the industry's commercial interests within the EU legislation and draft standards for the industry. The EVA's members are 16 national associations and 49 companies. They participate through the committees and working groups.

National Association of Cigarette Machine Operators

NACMO has around 200 members and operates a Code of Practice, which governs the siting of cigarette machines particularly with regards to restricting unauthorised access to them by children. Key parts of the Code state that: cigarette machines should be positioned where their use can be observed by staff; staff should be aware that it is their responsibility to supervise the use of the machine and to ensure that no under-age person tries to obtain cigarettes from it and machines should display a legally required warning notice positioned where it is clearly visible to everyone.

National Independent Vending Operators

NIVO represents the UK's smaller vending companies and is committed to securing better trading terms for its members. It has a membership of around 300 member companies, most of which are operator companies.

4. Competitor Analysis

THE MARKETPLACE

The three main categories of suppliers to the UK automatic vending sector are: machine and parts manufacturers; machine operators and distributors; and other suppliers.

The vending machine operator sector is more fragmented than the manufacturing sector, but is also one that offers opportunities for international developments. Bunzl Vending Services, Selecta UK and Sinclair Collis are, for example, all part of larger businesses, and so have the potential to increase their sales in other European markets.

However, most of the leading machine suppliers to the UK market are foreign owned and part of international businesses. Among the leading US-owned businesses are Crane Merchandising Systems, Automatic Products and Deutsche Wurlitzer. The leading European-owned suppliers include N&W Global Vending, ETNA, FAS and Azkoyen, while among the leading UK-owned companies are Westomatic, Vending Corporation and DarenthMJS.

LEADING MACHINE AND PARTS MANUFACTURERS

Automatic Products (UK) Ltd

Company Structure

Automatic Products was established in 1949 and is now one of the world's largest manufacturers of automatic vending machines. The company markets a range of products, including coffee machines, snack and can machines, and refrigerated and frozen food machines. These are manufactured in two North American plants and exported to over 35 countries worldwide

The group's international office is located in Wolverhampton, and it serves as base for the over 40 countries outside North America. Within the UK, Automatic Products has an operator network of more than 2,000 machine operators, 1,500 engineers and 1,800 support staff. The product line includes the Studio Beverage range, which offers up to 11 different hot beverage products and the new Premier Beverage range of hot beverage machines.

Current and Future Developments

In June 2006, the US-owned Automatic Products was acquired by the US company Crane Co for \$31m. The privately owned Automatic Products is based in St Paul, Minneapolis.

Financial Results

At the time this report was published (February 2007), there were no financial results available for Automatic Products (UK) Ltd on the ICC Juniper database.

Autonumis Ltd

Company Structure

Autonumis Ltd was established in 1965 and is a privately owned light engineering company supplying dispense and vending equipment to major brand owners. The company is based in Tetbury in Gloucester and produces a range of vending systems, including refrigerated-bottle cabinets for bars and other outlets, display chillers, small-pack vending, refrigerated wine cellars and coolers, and bag-in-box and bag-in-basket units for non-carbonated drinks. Autonumis also customises vending machines for specific brand owners, such as drink dispensers for Nesquik. The company has a workforce of around 200.

Financial Results

In the year ending 31st March 2006, Autonumis Ltd had a turnover of £7.1m, down from £8.6m in 2005. The company also reported a pre-tax loss of £10,000 in 2006, compared with a pre-tax profit of £129,000 in 2005.

Azkoyen UK Ltd

Company Structure

Azkoyen UK Ltd is a subsidiary of the Spain-based Azkoyen SA, a multinational manufacturer and supplier of automatic vending machines for the food and drink sectors. Azkoyen is also one of the leading Spanish companies involved in the development and installation of the payment systems and coin selectors for the vending, public telephone and game machine sectors.

Azkoyen distributes its products in 42 countries and operates through three main subsidiaries — Azkoyen Hostelería, Azkoyen Industrial and Azkoyen Medios de Pago. The Italian technological engineering firm Coges, which designs and makes note counters, credit-card payment systems and other payment-related products, as well as security access systems for buildings, is also part of the Azkoyen.

Current and Future Developments

The Azkoyen Group expects that hot vending machine products will be one of their best-selling areas in the second half of the decade. The company aims to increase its market share in this sector by introducing new products, strengthening its commercial network and cutting costs. Azkoyen will also concentrate its efforts in this sector on the Spanish and British markets.

Financial Results

In the year ending 31st December 2005, Azkoyen UK Ltd reported a turnover of £5m, unchanged from the previous year. The company made a pre-tax loss of £202,000 in 2005, compared with a pre-tax profit of £104,000 in 2004.

Crane Merchandising Systems Ltd

Company Structure

Crane Merchandising Systems Ltd is one of the leading designers and manufacturers of vending and beverage dispense equipment. The company was formed in 2001 when US-parent Crane strengthened its portfolio with the acquisition of Stentorfield in the UK.

Crane Merchandising Systems is now a combination of the US-based National Vendors, which manufactures food and snack machines, and Stentorfield, which manufactures beverage equipment. Crane Merchandising Systems operates under the Stentorfield and National Vendors brands and delivers a range of hot and cold drinks machines, snack and food merchandisers and combination models.

Crane's European headquarters are located in Chippenham, Wiltshire, where it has a staff of more than 150 people and manufactures around 8,000 machines each year. The European function is supported by sales offices in France and Germany, with global operations being directed from headquarters in St Louis, Missouri, in the US.

Current and Future Developments

In June 2006, Crane Merchandising Systems Ltd's parent company, Crane Co, entered into an agreement to purchase certain assets of Automatic Products International (API), a privately held manufacturer of vending equipment, based in Minnesota. The acquisition includes API's extensive distribution network, product line and parts business. Crane Merchandising Systems Europe will continue to be run from Chippenham.

In October 2006, Crane Co also purchased all of the capital stock of Dixie-Narco Inc, a manufacturer of can and bottle vending machines, for a purchase price of \$46m in cash. Dixie-Narco Inc is a subsidiary of Whirlpool Corporation. It is based in South Carolina and employs approximately 850 people.

Financial Results

In the year ending 31st December 2005, Crane Merchandising Systems Ltd reported a turnover of £20.1m, compared with £22.9m in 2004. The company made a pre-tax profit of £1.2m in 2005, compared with £2m in 2004.

DarenthMJS Ltd

Company Structure

Sheffield-based DarenthMJS Ltd is a leading manufacturer of vending machines that range in size from small, portable carousels to table-top solutions and fully automatic floor-standing machines. The list includes in-cup, table-top, floor-standing, snack, can and speciality machines.

Current and Future Developments

DarenthMJS has recently added a new vending machine — The Venetian — to its product line. The compact table-top Venetian features five large-capacity ingredient canisters, up to 14 drink selection buttons, fully automatic operation and a large internal cup capacity. When compared with a 'traditional' floor-standing machine, the new product is expected to offer dealers considerably increased returns on the same capital employed.

Financial Results

In the year ending 31st December 2005, Darenth MJS Ltd recorded a pre-tax profit of £399,000, up from £287,000 in 2004. At the time this report was published (February 2007), there were no turnover figures available for the company on the ICC Juniper database.

Deutsche Wurlitzer UK

Company Structure

Deutsche Wurlitzer UK is part of Deutsche Wurlitzer GmbH, a vending machine and jukebox manufacturer. The company has a manufacturing plant in Germany, employs more than 260 people worldwide and has branch distribution and sales offices in the UK and the US. The company's product range includes jukeboxes, cigarette vending machines, drink vending machines, universal vending machines and other forms of vending machines, including those for newspapers, magazines and postal items.

Current and Future Developments

In July 2006, the Gibson Guitar Corp, a leader in the music products industry, acquired Deutsche Wurlitzer from its owners, the Australia-based Nelson Group of Companies. Gibson intends to have Deutsche Wurlitzer continue at its current locations and anticipates accelerating the growth of the business through broader international distribution and product development.

Financial Results

At the time this report was published (February 2007), there were no financial results available for Deutsche Wurlitzer UK on the ICC Juniper database.

ETNA Vending Technologies UK

Company Structure

ETNA Vending Technologies UK is a manufacturer of drinks dispensing machines for use in professional environments and at home. The company manufactures table-top vending machines for a variety of beverages, including chocolate, cappuccino, café crème, tea, coffee and ice coffee. ETNA Vending is part of the Netherlands-based ETNA Group.

Current and Future Developments

The ETNA Group aims to become one of the top three manufacturers of table-top drinks machines in the world. It intends to achieve this by promoting customer satisfaction, innovation, efficiency, quality and service.

Financial Results

At the time this report was published (February 2007), there were no financial results available for ETNA Vending Technologies UK on the ICC Juniper database.

FAS UK International Ltd

Company Structure

FAS UK International Ltd is part of the Italian company FAS International SpA, which was founded in 1967 as a specialist in the production of vendors for solid products.

The company operates in the niche market of snack and food machines and has distribution offices in Spain, France and the UK (Daventry).

FAS International expanded its operations in 2004, with the acquisition of Omnimatic, one of the oldest coffee machine producers in Italy. The acquisition was in line with the strategic aim of FAS to become a global supplier in the vending industry.

Financial Results

At the time this report was published (February 2007), there were no financial results available for FAS UK International Ltd on the ICC Juniper database.

Mars UK Ltd

Company Structure

Mars UK Ltd is a subsidiary of Mars Inc, the US-based global manufacturer of confectionery, pet food and other food products. Mars' presence in the vending market is via Four Square, its drinks division, and comprises the FLAVIA and KLIX brands. FLAVIA operates within the US, UK and Japanese markets, while KLIX operates within the UK, Germany and France.

The KLIX machines offer a number of branded drinks including coffees, teas, chocolates, soups and cold drinks. Four Square also manufactures and distributes FLAVIA freshbrew filter packs and machines.

Current and Future Developments

Mars UK has opened a new Drinks Discovery Suite in Central London, which presents FLAVIA, KLIX and their other range of refreshment systems. The suite allows the company to show a more professional and reliable demonstration of their drinks stations. Aimed at vending machine operators, the Suite helps customers to get the best menus in their machines.

Financial Results

In the year ending 31st December 2005, Mars UK Ltd had a turnover of £1.49bn and a pre-tax profit of £171m. This compares with a turnover of £1.56bn and a pre-tax profit of £194.2m in the year ending 1st January 2005.

N&W Global Vending Ltd

Company Structure

N&W Global Vending is an international vending machine manufacturer with sales and after-sales offices in Argentina, Austria, Brazil, China, Denmark, France, Germany, Italy, Poland, Spain and the UK. In total, the company operates in more than 80 countries worldwide through a network of dealers.

N&W Global Vending Ltd is based at Bilston in the West Midlands and operates as a sales and distribution arm. All of the company's products are now sourced from manufacturing operations in Valbrembo, Mozzo (Italy) and Odense (Denmark). N&W Global Vending Ltd has two flagship brands, Necta and Wittenborg. Necta models are primarily value-for-money machines, while Wittenborg is the premium brand. The group produces vending machines for coffee and other drinks, snacks and food, and cans and bottles. In addition, breakfast-making equipment is manufactured for the catering trade.

Current and Future Developments

The Necta range of vending machines is being developed, with the launch of two new lines, Kobalto and Konvivio, which are automatic dispensers of high-quality hot drinks. The machines include technologies that allow a wider range of products such as coffee beans, ground coffee, fresh or instant milk and chocolate to be dispensed. The new lines are intended to be used in environments such as restaurants, hotel or cafés where there is a need to dispense large volumes of drinks without the attendance of any trained personnel. The two new machines were unveiled at the Equip Hotel Trade Fair in Paris in November 2006.

Financial Results

N&W Global Vending Ltd reported a turnover of £4m, with a pre-tax loss of £17,000 in the year ending 31st December 2004. In 2003, the company's turnover was £1.7m, with a pre-tax loss of £433,000.

The Vending Corporation Ltd

Company Structure

The Vending Corporation Ltd operates in the UK and Europe. Founded in 1976 under its original trading name of Polyvend Ltd, the company was instrumental in developing the European market for snacks and confectionery merchandisers. Within the UK, the Vending Corporation supplies vending machines either directly to major accounts or via other vending wholesalers and operators. In mainland Europe, the company's business is mostly conducted through distributors. The name Polyvend continues as a brand under The Vending Corporation banner together with other major brands including, ccini, Fastcorp and Dixie-Narco for which The Vending Corporation is the UK/European distributor.

In addition to supplying equipment under its own Polyvend brand, the company also supplies own-label snack machines built to the specification of other leading vending companies, including 24seven, Four Square Drinks, Bunzl Vending Services, Provend Services and Kenco.

Current and Future Developments

Innovation has played a key role in The Vending Corporation's growth and this has led to the development of new vending markets for products as diverse as videos, swimwear and computer supplies. The company is now building on this and is actively involved in establishing robotic merchandiser vending programmes for ice cream companies.

Financial Results

In the year ending 30th April 2005, The Vending Corporation Ltd reported a turnover of £6.2m, up from £5.9m in 2004. The company made a pre-tax profit of £1.1m in 2005, up from £747,000 in 2004.

Westomatic Vending Services Ltd

Company Structure

Westomatic Vending Services Ltd is a privately owned British company, which was established in 1966. The company is a leading manufacturer of hot and cold beverage vending machines in the UK and Europe, as well as a supplier of snack and food machines. Westomatic currently exports to a large number of countries, including Australia, Belgium, the Republic of Ireland, Finland, Germany, Hungary, the Netherlands, Norway, Poland, Russia and Sweden.

Westomatic offers a range of free-standing hot and cold beverage machines as well as table-top machines for smaller sites and catering environments. It also offers a range of snacks, confectionery, cans, bottles and fresh food items. Its brands include the Solo Encore and Solo Encore LX (slimline beverage machines), Temprano Interlude (offering a variety of hot drinks), Riviera Ultima (machine with a large drinks capacity), Espresso Café (offering bean-to-cup technology), Azure (water dispenser for chilled, ultraviolet [UV] and Brita-filtered water), and Coffee Time (a table-top beverage dispenser).

Current and Future Developments

Westomatic has joined forces with Select Vending and catering service provider Devon Direct, to improve the quality of food sold in vending machines. The programme is being piloted in Devon schools under the title *healthy vending* and involves selling items such as healthy, low-fat crispbread snacks, cereal bars, dried fruit and natural fruit juices rather than confectionery, fizzy drinks and crisps. The acceptance level among the pupils is said to be high.

Financial Results

In the year ending 1st October 2005, Westomatic Vending Services Ltd reported a turnover of £8.3m up from £8.1m in the previous. The company also reported a pre-tax loss of £946,000 in 2005 and a pre-tax loss of £540,000 in 2004.

LEADING MACHINE OPERATORS AND DISTRIBUTORS

Autobar Group Ltd

Company Structure

Autobar Group is one of the largest vending organisations in Europe and provides equipment, ingredients and training across the vending sector. The Autobar Group specialises in the following markets:

- Autobar Vending Services — large-site vending, supplying hot and cold beverage machines, snack, confectionery and food vending machines
- Café Bar — office coffee systems and small beverage dispensers
- Pelican Rouge — restaurant Horeca beverage systems
- ICS — specialising in coffee roasting and instant-vending products
- Chequer Foods — individual portion packs for catering and foodservices.

Current and Future Developments

Autobar has continued to expand its business in the UK, with the acquisitions of Balmoral in Corby, Vendaid Automatic Caterers in Oldbury, Birmingham and Refreshing Times in Kettering.

The addition of these businesses is expected to strengthen Autobar's market position in the UK.

Financial Results

In the year ending the 3rd April 2005, the Autobar Group Ltd had a turnover of £14.2m and a pre-tax profit of £416,000. In the previous year, the company had a turnover of £263.4m and a pre-tax loss of £1m.

Bunzl Vending Services Ltd

Company Structure

Bunzl Vending Services is part of Bunzl PLC and is one of the UK's largest independent vending operators. The company has 15 offices across the UK, more than 1,000 field engineers and maintains 40,000 vending machines. The machines are sourced from a number of major manufacturers, including Crane Merchandising Systems, N&W Vending and Westomatic.

Current and Future Developments

In February 2006, Bunzl PLC acquired The Midshires Group Ltd from a privately owned company, Wychbury Holdings Ltd. Midshires is based in Shrewsbury and has locations in Wolverhampton, Loughborough and Northampton. It is principally engaged in the operation and sale of vending machines and associated services throughout central England. The acquisition is expected to strengthen the position of Bunzl Vending Services as the UK's leading independent vending service provider.

Financial Results

In the year ending 31st December 2005, Bunzl Vending Services Ltd reported a turnover of £51.1m, compared with £51.5m in the previous year. The company made a pre-tax profit of £3.4m in 2005, up from £426,000 in the previous year.

Coffee Point PLC

Company Structure

The Coffee Point Group was established in 1987 and is now the UK's largest privately owned vending machine specialist supplier and operator. The Group services more than 14,000 machines from its regional depots in Southampton, Brighton, Shepperton, London, Huntingdon, Warrington, Newcastle, Carlisle and East Kilbride. The company has a workforce of more than 670 staff.

Coffee Point supplies hot drinks, snacks, food, bottles and can vending machines, plus a range of disposables such as cups, cutlery, cleaners, bins and gloves. It also has its own brand of fresh ground coffee, Carezza. Coffee Point supplies machines under a number of categories, including bean-to-cup, table-top hot machines, free-standing hot machines, snacks and food machines, water machines, snack and can combination machines, and the Border range of refurbished beverage, snack and can machines.

Current and Future Developments

Coffee Point is instigating a number of environmental policies. It has, for example, set itself a target of 75% of waste to be recycled. This is being achieved through recycling of palettes, cardboard, paper, cans and plastic bottles. The company also now recycles electrical and electronic equipment waste, including vending machines, cashless systems and other white goods. In a further move, Coffee Point has recently started to transfer its existing vehicles from petrol/diesel to liquid gas and electric hybrid vans.

Financial Results

In the year ending 31st March 2005, Coffee Point PLC had a turnover of £33.6m, up from £29.2m in 2004. The company made a pre-tax loss of £136,000 in 2005, compared with a pre-tax profit of £1.1m in 2004.

Selecta UK Ltd

Company Structure

Selecta UK Ltd is part of the Business & Industry Division of the Compass Group PLC, the world's largest contract caterer. Selecta is one of Europe's leading vending companies selling over 4 million drinks across Europe each day from over 130,000 point-of-sale (PoS) units. It also designs vending areas within businesses, supplies local merchandisers with the ingredients to stock their machines and offers turn-key beverage kiosks under the Ritazza brand.

Selecta has 11 offices in the UK and the Republic of Ireland, and has market-leading positions in France, Switzerland, Germany, Sweden, Finland and the Baltic States. It is also present in Austria, the Czech Republic, Hungary, Slovakia, Liechtenstein, Belgium, the Netherlands, Spain, Turkey, Denmark, Norway, Tunisia and Iceland.

Current and Future Developments

In response to a growing demand for more balanced snacking options and well-displayed nutritional information, Selecta has introduced Balanced Choices, a program that aims to give consumers the ability to make informed choices they think are right for them. Items under the Selecta Balanced Choices are less than 200 calories (Kcal), contain less than 6 grams (g) of fat, have less than 250 milligrams (mg) of sodium for snacks and contain less than 5g of added sugar for cold drinks. This information is displayed on their vending machines.

Financial Results

In the year ending 30th September 2005, Selecta UK Ltd reported a turnover of £74.7m, compared with £67m in 2004. The company made a pre-tax loss of £1.8m in 2005, compared with a pre-tax profit of £2.4m in 2004.

24seven Vending Ltd

Company Structure

24seven Vending Ltd is engaged in the sale, rental, maintenance and operation of vending equipment. 24seven claims to be the largest independent automated refreshment service provider in the UK, with ten sites located across the country.

Current and Future Developments

24seven Vending Ltd has been restructuring its financial position and this culminated in February 2006 in the sale of the company from Inhoco 789 Ltd to a new parent company, Broomco (3,929) Ltd, owned by Barclays Bank PLC. A new board of directors was also appointed.

Financial Results

24seven Ltd reported a turnover of £20.2m and a pre-tax profit of £138,000 in the year ending 24th September 2005. In the previous year, the company had a turnover of £22m and a pre-tax loss of £11.2m.

Sinclair Collis Ltd

Company Structure

Sinclair Collis Ltd is a subsidiary of the Imperial Tobacco Group PLC and the largest specialist cigarette vending company in the UK. The company sells cigarettes and other tobacco products through around 30,000 outlets nationwide, with half of its business through brewery-owned pubs and the balance from leisure outlets, working men's clubs, bingo halls and independent pubs. The government ban on smoking in public places such as public houses and restaurants, which is to be introduced in 2007, is likely to have a major impact on the company.

Financial Results

In the year ending 30th September 2005, Sinclair Collis Ltd recorded a turnover of £151.6m, down from £166.8m in 2004. Pre-tax profit was £3.2m in 2005, compared with £6.9m in 2004.

Vendia Ltd

Company Structure

Vendia Ltd was launched in 1999, and is one of the UK's leading vending operators. The company has a number of subsidiary companies — including Drinkmaster, Integer, Simply Drinks and VMI — and focuses mainly on medium and smaller office-based businesses plus manufacturing sites, leisure venues, hospitals and small retail locations. It has a customer base of around 10,000 and a 470-strong workforce.

Current and Future Developments

Vendia has been working with the Automatic Vending Association (AVA) and the Foods Standards Agency to help develop the 'Educated Choice Initiative', a three-point plan for AVA operator members to ensure vending plays a positive role in providing an educated choice in food and drink vending in secondary schools. The company has also developed and is promoting a Healthy Options Range of vending products, which is a range of 30 healthy alternatives to fizzy drinks, crisps and chocolate and includes water, fruit juices, milk products, dried fruit, low-fat crisps and cereal bars.

Financial Results

At the time this report was published (February 2007), there were no financial results available for Vendia Ltd on the ICC Juniper database.

Other Suppliers

Aramark UK

Aramark UK is one of the UK's largest contract caterers and providers of foodservice solutions to companies and organisations in the education, healthcare, hotels, Ministry of Defence (MoD) and offshore markets. Aramark's refreshment services operation also provides a range of vending solutions. Aramark UK is part of the US-owned Aramark, which serves customers in 19 countries around the world.

Associated Vending Services Ltd

Associated Vending Services (AVS) comprises around 27 independently owned professional vending businesses, trading from 42 locations across the UK and the Republic of Ireland. Each provides vending services within their geographical location while operating under the AVS national services umbrella. AVS provides centralised marketing and financial, product and support advice. The network companies have a combined annual turnover of more than £100m.

Drinkmaster Holdings Ltd

Drinkmaster Holdings Ltd supplies merchandise and vending machines through a network of area franchises around the UK. The machines offered include water heaters, desktop machines, dispensers, vending machines and equipment. The beverage ingredients are supplied under the Drinkpacs name. Drinkmaster also offers Fairtrade and healthy options. The company is part of Vendia Ltd.

Fags (Machines) Ltd

Fags (Machines) Ltd is based in the North West of England and is a retailer and distributor of cigarettes and other tobacco products through tobacconists and vending machines.

The Midshires Group Ltd

The Midshires Group Ltd has more than 220 vehicles and 130 merchandisers that operate from five locations across the Midlands. There are two established service and administrative centres in Shrewsbury and Loughborough, and fully operational depots in Bicester, Northampton and Wolverhampton.

Midshires also has a number of subsidiaries, including Midland Vending Services Ltd, Shires Vending Services Ltd and Refreshment Solutions.

In February 2006, Bunzl PLC acquired The Midshires Group Ltd.

The RefreshU Group

The RefreshU Group is based in Wiltshire and operates as a vending management organisation. It undertakes the day-to-day running of clients' vending service, which includes the regular restocking, valeting and maintenance of machines, by a network of independent member companies. The company operates from more than 20 locations throughout the UK and the Republic of Ireland.

Snack Point Ltd

Snack Point Ltd focuses on toasted sandwich, pizza and panini vending machines. Trading under the Hot Bite vending brand, which it launched in 2002, the company operates a geographical franchise system, with each franchisee responsible for developing sales in their area. Typical locations for machines include colleges and universities, hospitals, travel terminals, hotels, motorway service areas (MSAs) and workplaces. The majority of the franchises are in the UK, although others operate in Norway and the Republic of Ireland.

Sodexo UK Ltd

Sodexo UK is a subsidiary of the French-owned Sodexo Alliance, one of the world's leading providers of contract catering and foodservice management. In the UK, Sodexo provides a range of catering and support services to clients in the business and industry, education, healthcare, leisure and defence sectors. The company operates more than 30,000 vending machines in the UK and the Republic of Ireland, plus many more in specialist locations such as offshore drilling rigs.

Springbank Industries Ltd

Springbank Industries Ltd is engaged in the sale and operation of vending equipment and the supply of ingredients. The company has more than 2,000 installations across the UK and dispenses approximately 25 million items every year. Springbank is involved in the design, planning, installation, commissioning, operating, merchandising and maintenance of the machines.

SSL International PLC

SSL International PLC is a global manufacturer and distributor of healthcare products. The company employs around 4,500 people in more than 35 countries and has manufacturing plants in Thailand, Spain and the UK, plus joint-venture manufacturing locations in India and China. SSL International PLC has a diverse portfolio of consumer products, which includes the global brands, Durex condoms, Scholl footcare, Syndol, Meltus, Full Marks, Sauber and Mister Baby. The majority of its vending operations involve sales of condoms and other items such as personal hygiene products and wound-care products.

UK Vending Ltd

UK Vending Ltd is a leading provider of coffee, vending machines and water coolers across the UK. The company is a family business and the sole supplier of vending machines and supplies to companies such as News International PLC (UK offices).

UK Vending also distributes KLIX and FLAVIA products for the Four Square division of Mars.

COMMODITY AND MERCHANDISE SUPPLIERS

Aimia Foods Ltd

Aimia Foods, previously known as Nichols Foods, is a privately owned family-run business. The company operates in the vending, foodservice, retail and co-pack sectors and supplies a range of hot and cold beverage vending machines plus a wide range of related ingredients.

In the year ending 31st December 2005, Aimia Foods Ltd had a turnover of £46.2m, up from £45.5m in 2004 and a pre-tax profit of £1.2m compared with a pre-tax loss of £5.7m in 2004.

Eurogran International Ltd

The Denmark-owned Eurogran is a leading European manufacturer of instant ingredients. Its main areas of business are the manufacture of ingredients for hot and cold vending machine drinks, for coffee shops, for table-top environments and for sale in retail markets.

85% of Eurogran's total production is for export. Eurogran's export department in Denmark handles sales to the Benelux countries, Central and Eastern Europe and the Middle East. The German market is handled by staff located in Germany. Sales to the UK, Sweden and France are handled via subsidiaries. Production, packaging and distribution take place directly from Eurogran's own factories in Denmark.

Eurogran International Ltd is based in Henley-on-Thames, and concentrates on the sale and distribution of beverage ingredients. These are mainly supplied under the Café Plus range and the Le Royal brand.

In the year ending 31st December 2005, Eurogran International Ltd had a turnover of £916,000, down from £1.6m in 2004. The company also reported a pre-tax loss of £71,000 in 2005 and a pre-tax loss of £206,000 in 2004.

Eurogran is owned by the Danish company MISP Holding A/S.

Other Suppliers

BT Redcare

BT Redcare is a business division of BT. The company offers remote monitoring systems, closed-circuit television (CCTV), fire alarms and security alarms. The vending operation is focused on its 'Vendonline' system, which is a Web-based application that communicates with vending machines to deliver up-to-date management information direct to customers.

G2 Integrated Solutions

G2 designs, develops, manufactures, sells and supports a range of product solutions in the areas of cashless vending machines, cashless payment systems, access control and workplace automated teller machine (ATM) systems. The company was launched in May 2003, following the merger of three companies, Girovend Ltd, Public Access Terminals Ltd (PAT) and Airtime Interactive Marketing Ltd (AIM) and is a subsidiary of Cardpoint PLC, a cash machine and payment services business.

Vianet PLC

Vianet PLC is a supplier of telemetry devices, applications software and mobile service solutions to the fast-moving consumer goods (FMCG) sector, caterers and the global vending industry. One of its principal services is vOpen, an online management and reporting system that enables companies to gain better control of cash, sales, stocks, and brand and marketing data.

Vianet was involved in the development of the Quickphone vending machine for Vodafone UK. The machine, which was the first vending machine in the UK to dispense mobile phones, uses 3G technology to inform Vodafone of stock levels.

DISPOSABLES AND COMPONENTS

Huhtamaki UK Ltd

Huhtamaki is one of the world's largest packaging companies with particular expertise in paper, plastic, films and molded fibre. The UK subsidiary is a leading supplier of disposables, including cups, plates, cutlery and takeaway containers to the UK foodservice industry. Huhtamaki also supplies trays to vending machine operators.

In the year ending 31st December 2005, Huhtamaki UK Ltd had a turnover of £87.4m down, from £93.9m in 2004. The company also reported a pre-tax loss of £18.8m in 2005 and £2.6m in 2004.

Nebrak Ltd

Nebrak is the UK industry leader in the design and build of vending machine surrounds and fascia.

Veriplast International

Veriplast International was created in 1997 and is a leading manufacturer of high-quality disposable food and drink packaging. Its products range from beer glasses to catering trays, and from salad bowls to vending cups.

The company is part of the Autobar Group that was acquired by Charterhouse in July 2004. Autobar Packaging manufactures and sells a large range of packaging products mainly for use in the food, drink, health, and home and personal care sectors. In addition to Veriplast International, Autobar Packaging has two other trading businesses, Autobar Rigid Packaging and Autobar Flexible Packaging.

In October 2006, Zenith Beverage Systems, a leading provider of ward beverages to the NHS, hired Veriplast International to supply its bespoke cup for the NHS. The contract is long term and for more than 35 million cups a year. The cups for Zenith will be manufactured at the company's Durham plant, which is one of seven located across Europe.

OUTSIDE SUPPLIERS

A wide range of other sectors supply the automatic vending market, including equipment and component companies, finance and leasing companies. The main forms of equipment and components supplied include water tanks and filters, heating and refrigerating systems, fascia panels and coin-changing equipment. Finance and leasing companies are also important within the industry as many businesses prefer to lease their equipment rather than purchase it outright.

MARKETING ACTIVITY

The automatic vending industry undertakes very little main media advertising.

Most of the leading suppliers prefer instead to publicise and promote their activities through exhibitions, websites, direct mail, the trade press and personal meetings.

Exhibitions

One of the leading trade shows for the automatic vending industry is AVEX — The International Vending Exhibition — which is organised by the Automatic Vending Association. In 2007, the exhibition will be held on 24th to 26th April at Earl's Court in London.

Other trade shows of interest to the automatic vending industry include the following:

- Hotelympia is one of Europe's most important business events for the foodservice and hospitality market. It attracts 48,000 industry people, including contract caterers, restaurateurs, hoteliers, chefs, housekeepers and designers. Hotelympia, which is a bi-annual event, will next be held in 2008.
- Co-hosted alongside Hotelympia is Hostec–EurHotec, Europe's largest hospitality, foodservice and leisure technology event.
- The Hotel & Catering Exhibition will be held in Bournemouth International Centre from 6th to 7th March 2007.
- EurOps 2007, will be held in Athens on 22nd and 23rd March 2007.
- The Food & Drink Expo is a bi-annual event. It will next be held at National Exhibition Centre (NEC) in Birmingham, from 6th to 9th April 2008.
- VendItalia is a bi-annual exhibition. It will next be held in 2008.

5. Strengths, Weaknesses, Opportunities and Threats

STRENGTHS

- Vending remains an established and popular way for consumers to purchase beverages, food and other items.
- Vending machines are situated in a wide range of locations.
- A large number of well-known brands are sold in vending machines.
- The service teams of the major operators are often on call 365 days a year and this helps to keep most vending machines operational.
- New vending technologies are helping to improve the efficiencies of the vending equipment.
- Vending machines are available in a wide range of sizes, from the smaller, desktop units to large vending suites that serve everything from chilled cans to healthy snacks and meals.

WEAKNESSES

- The automatic vending sector is highly competitive and the profits and margins generated by some companies can be fairly slim.
- The food and beverages obtained from vending machines are often perceived as being of a lower quality than those purchased from traditional retail outlets.
- The UK manufacturing base for vending machines continues to contract as overseas suppliers increase their share of the market.
- Compared with some other industries, major innovations in the automatic vending sector are less frequent.
- Vending machines have received some bad publicity over the last few years due to concerns about health and obesity, and the role that certain vended products play in this.

OPPORTUNITIES

- Vending machines could play an increasingly important role in school catering as lunch hours shrink and children spend more time at school. The growth in the use of vending machines by pupils could be dramatic as more schools offer before- and after-school care. A good-quality vending machine can fill the need with a 24/7 grab-and-go service.

- Significant opportunities remain for a much wider range of products to be sold from vending machines.
- Growth in the market for such items as table-top machines and smaller machines remains strong.
- The types of food stocked in vending machines are gradually changing and a far healthier range of products are now being sold. If these appeal to the impulse sector — particularly in schools, where mounting governmental and parental pressure is forcing the pace in the move towards waters and fruit juices — then sales could be boosted as a consequence.
- Cashless payment systems, including card-based purchases, are gaining in popularity and are likely to take an increasing share of sales.

THREATS

- Sales via vending machines in schools where healthier options have been introduced have slumped in some parts of the country as pupils have skipped schools meals and have visited the ice cream van or the burger van instead.
- There has been a general fall in the number of children taking school meals in 2006, with the main reason being parents' and pupils' reactions to celebrity chef Jamie Oliver's television programmes on the subject.
- Competition from the retail sector, including coffee shops and catering establishments, is a continuing challenge for the automatic vending industry.
- The government's ban on smoking in public places, which is due to be introduced fully in 2007, will probably result in the removal of cigarette machines from key premises that currently stock them, such as public houses and restaurants.
- The introduction of recent EU legislation, including the disposal of Waste Electrical and Electronic Equipment (WEEE) Directive, could add to the costs of many operators.

6. Buying Behaviour

CONSUMER PENETRATION

School Meals

The government's initiative to improve the quality of school meals appears to be encountering problems, with the campaign to change school food by television chef Jamie Oliver receiving much of the blame for the fall.

In areas such as Denbighshire, the decline in the number of pupils taking healthy schools meals is so great — servings in 2006 are down 100,000 on 2005 — that it is putting the schools meals service at financial risk.

The problem is believed to lie with healthy meals because demand rises by 40% on the days fast food is served in primary schools. Rising costs for fresh vegetables and fish are also adding to pressures.

Glasgow has also experienced a 17% drop in the number taking school meals since healthy eating initiatives were introduced. It is also felt that political decisions to ban unhealthy foods could destroy the school meals service there. Healthy eating initiatives in Glasgow's schools, which include taking chips off the menu 4 out of 5 days, have contributed to the decline and are being viewed as being the customers' way (the children) of responding to the pressure for a healthy agenda.

Research from the School Food Trust, which was set up to improve school meals, has also found that schoolchildren use the journey to and from school to fill up on 'a secret mountain of junk food', with nearly one in three primary school children buying fizzy drinks, crisps and chocolate either on the way to or going home from school.

The School Food Trust has responded to the decline in school meals by stating that the results are not a surprise. Experience has shown that schools that previously transformed their food service faced a short-term dip in numbers, which then improved once the changes had bedded in.

In September 2007, most of the new food-based standards for lunch will also apply to other food sold or served through the rest of the school day, which means that vending machines will have to comply by that date.

Smoking

Over the past 30 years, there has been a substantial decline in the proportion of adults aged 16 and over in Great Britain who smoke cigarettes.

The reduction has been greater among men, although from a higher initial level, so that the difference in prevalence between men and women has narrowed considerably. In 1974, 51% of men aged 16 and over smoked, compared with 41% of women. By 2001/2002, the percentage had fallen to 28% of men and 26% of women and, by 2004/2005, smoking rates were down further to 26% of men and 23% of women.

Smoking is strongly associated with socio-economic classification, being far more common among those in routine and manual occupational groups than those in managerial and professional groups. In 2004/2005, 33% of both men and women working in routine occupations were smokers, compared with 16% of men and 11% of women who worked in higher professional occupations. The Government has set a target to reduce the proportion of smokers in households headed by someone in a manual occupation, from 32% in 1998 to 26% by 2010.

Table 21: Prevalence of Cigarette Smoking by Sex and Socio-Economic Classification[†] in Great Britain (%), 2001/2002 and 2004/2005

	Men		Women	
	2001/ 2002	2004/ 2005	2001/ 2002	2004/ 2005
Managerial and Professional				
Large employers and higher managerial occupations	16	19	15	13
Higher professional occupations	17	16	13	11
Lower managerial and professional occupations	24	22	20	20
Intermediate				
Intermediate occupations	28	26	26	22
Small employers/own-account workers	30	25	26	20
Routine and Manual				
Lower supervisory and technical occupations	33	30	29	26
Semi-routine occupations	33	34	32	30
Routine occupations	38	33	33	33
All people	28	26	26	23
<i>† — of the household reference person</i>				
<i>Source: General Household Survey, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>				

In line with the reduction in the numbers of smokers in the UK, there has been a corresponding fall in household expenditure on cigarettes. In 2004/2005, average weekly household expenditure on cigarettes fell by 10.2% to £4.40 and is down by 18.5% since 2000/2001. Total weekly household expenditure is also down, from £135m in 2000/2001 to £108m in 2004/2005, a 20% reduction.

Table 22: Average Weekly and Total Weekly Household Expenditure on Cigarettes in the UK (£m and £), 2000/2001-2004/2005

	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005
Average weekly expenditure on cigarettes by all household (£)	5.40	5.00	4.80	4.90	4.40
Total weekly household expenditure (£m)	135	123	116	120	108

Source: Family Spending, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Sodexo University Lifestyle Survey

The contract caterer Sodexo, which is responsible for more than 30,000 vending machines in the UK and the Republic of Ireland, published a *University Lifestyle Survey* in 2006. The study, which included research on students' eating habits, was based on 2,172 online interviews with students in their first to sixth years of study at 112 UK higher education institutions. The fieldwork took place between 1st and 9th November 2005.

The survey found that, for all three main meals, students are most likely to prepare their food at home. 58% make their own breakfast in their accommodation, 16% have the meal in their family home and 9% eat breakfast in their hall of residence. At lunchtime, the most popular choice, for 45% of students, is still to prepare the meal in their accommodation, and 64% of students prepare their own dinner in their accommodation.

The majority of students are relatively conservative when it comes to food. 63% of students would like to see traditional British food on the menu on campus. European food is the second-most popular choice (for 56% of students), followed by Asian food (48%) and snack meals.

In keeping with their tight budgets, price is the primary consideration when students are buying food from a catering outlet. The vast majority (92%) said that price was either important or very important to them. However, 79% also described convenience as an important or very important consideration. Only 22% said brand was important or very important to them.

On the whole, students do not seek a particular brand of coffee on campus, and many feel 'neutral' about the availability of specific major names. Top of the list was non-branded coffee at high street standard (26% of students said it was important or very important that this was something they could buy on campus).

A significant number of students (45%) said that it was important or very important to them to know they were buying fair-trade produce. Farm-assured produce was almost as popular, with 43% of students saying they felt it was important or very important. However, 40% of students are not willing to pay extra to have ethical products.

72% of students said they have lunched at a university catering establishment. They do not go every day — 27% eat lunch in one of these venues once a week.

On average, students do not spend a great deal each day on catered lunch at university. The most common budget for this, for 34% of students, is between £3 and £3.99.

Source: *The Sodexo University Lifestyle Survey 2006*

Food in Hospitals

The quality of food and foodservice in hospitals in England is assessed by the Patient Environment Action Teams (PEATs). The assessment comprises a review of nine components relating to meals and meals service and a review of the implementation of six modernisation aims. Based on these criteria, hospitals are rated as excellent, good, acceptable, poor or unacceptable.

The results suggest that there was a substantial improvement in the quality and delivery of food served in hospitals in 2006. The number of hospitals rated as 'excellent' increased from 92 in 2004 to 415 in 2006, and the number rated as 'good', increased from 574 in 2004 to 706 in 2006. There were corresponding falls in the other three categories, with only one hospital receiving a 'poor' rating in 2006, compared with 16 who received the same rating in 2005 and 67 in 2004.

Many hospitals install vending machines on their premises for the convenience of staff, visitors and patients, and there is a trend among suppliers to increase the proportion of healthy-option food and beverages available. Some hospitals are in turn banning 'junk food' from their vending machines.

**Table 23: PEAT Assessment of Hospital Food
(number of hospitals and %), 2004-2006**

	2004		^e 2005		^e 2006	
	Number of Hospitals	% of Total	Number of Hospitals	% of Total	Number of Hospitals	% of Total
Excellent	92	8.1	399	32.5	415	33.9
Good	574	50.3	631	51.4	706	57.6
Acceptable	402	35.2	181	14.8	103	8.4
Poor	67	5.9	16	1.3	1	0.1
Unacceptable	7	0.6	-	-	-	-
Total	1,142	[†]100.0	1,227	100.0	1,225	100.0

e — Key Note estimates
† — does not sum due to rounding

Source: PEAT/Better Hospital Food, NHS/Key Note

7. Current Issues

EUROPE

Since 1st January 2006, the European Food Safety Regulation 853/2004 has required all food businesses base their food safety management on what are called Hazard Critical Control Point (HACCP) principles. The HACCP system is an instrument to help food business operators attain a higher standard of food safety.

The regulation covers areas such as:

- wrapped food products that do not require refrigeration
- chilled foods that require refrigeration
- hot and cold drinks made from powders, beans and leaves.

The European Vending Association (EVA) believes that vending companies can very easily implement the HACCP Directive, which it sees as being good for the companies, advantageous for the consumers and beneficial to the image of vending.

THE POLITICAL SCENE

Vended Food and Drink in Schools

In May 2006, the Department for Education & Skills (DfES) published its final decisions on school meals and food in schools other than lunch. The report follows the recommendations of the School Food Trust and means that snack vending will be limited to edible seeds, unsalted nuts, and fruit and vegetables. In addition, no confectionery, chocolate or crisps will be allowed and children and young people must have easy access at all times to free, fresh drinking water in schools. The only other drinks available will be water (still or sparkling), milk, pure fruit juices, yoghurt and milk drinks, low-calorie hot chocolate, tea and coffee.

The standards for school meals other than lunch were introduced in September 2006, although they will not become law until September 2007. However, all schools were expected to start making the changes needed to meet the new standards and, in order to support this, the DfES is working with both the schools and the vending companies to identify effective ways of making the changes needed.

Ban on Junk Food Advertisements

Junk food advertisements during television programmes targeted at under-16s will be banned, under rules put forward by regulators. According to Ofcom, these foods include any that are high in fat, salt and sugar. There will be a total ban on advertisements during children's programmes and on children's channels, as well as on adult programmes that are watched by a large number of children.

The measures will apply to:

- all pre-school children's programmes
- all programmes on mainstream channels aimed at children
- all cable and satellite children's channels
- programmes aimed at young people, such as music shows
- general entertainment programmes which would appeal to a 'higher than average' number of under-16s.

Ofcom's measures, which will come into effect before the end of January 2007, are set to cost broadcasters an estimated £39m in lost advertising revenue.

HEALTH

The Health Education Trust (Real Choice) Initiative

The Health Education Trust (HET) has designed a Real Choice initiative to help raise the standard of school food and drink vending provision. The measure guides schools and vending operators towards achieving a healthy school vending service that reflects best practice and contributes towards improving the dietary choices and eating habits of children in school. The Real Choice initiative focuses on what to vend and is the culmination of all the work carried out to date on school vending. It also complements the vending guides produced by the Food Standards Agency (FSA), the Department of Health (DoH)/DfES and the Welsh Assembly Government.

Eligible vending operators that register with the HET and adopt the Real Choice school vending criteria, agree to only supply products for school vending that have been approved by HET Nutritionists as suitable for inclusion in the Real Choice scheme. This will provide schools with the reassurance that their vending service will be contributing to their overall healthy school policy and reflect best practice. It will also mean that schools do not need to spend valuable resources researching and trying to keep up to date with the many and varied products now on the market in order to determine what might be suitable for a 'healthy' school vending provision.

Health Bill Receives Royal Assent

The Health Bill, which includes provisions to ban smoking in enclosed places in England, has received Royal Assent. The Government plans to outlaw smoking in enclosed public places in England by summer 2007. An indoor smoking ban has already been introduced in Scotland, and both Wales and Northern Ireland are expected to introduce bans in April 2007. Under the legislation, licensees will face a maximum £2,500 fine if they allow customers to smoke on their premises. The ban on smoking in public places is expected to affect sales of cigarettes in vending machines that are located in outlets such as public houses and restaurants.

PRODUCT DEVELOPMENT

Demand for Healthy Snacks

The importance now being given to healthy snacks in schools is resulting in the launch of a range of new products to meet the requirements of this trend. Companies such as Westomatic and Select Vending have joined forces to improve the quality of food in some of the schools that they serve and Selecta has introduced *Balanced Choices*, snacks that have limited amounts of calories, fat, sodium and added sugar. Vendia has also developed a *Healthy Options* range of vending products, and food manufacturers and processors such as Sun Valley have responded to the call for junk food to be replaced by healthy snacks with the launch of a new range of *You Are What You Eat* bagged nuts and fruit. The new packs have generated interest from major vending companies and Sun Valley is expecting to stock the items in more than 10,000 schools.

Thermochromic Technology

The latest developments in thermochromic technology are set to make a positive change to the face of promotional vending, with the introduction of heat-sensitive vending cups from Huhtamaki. The 'Heat & Reveal' labels made using thermochromic technology are temperature-responsive, which means that it is the heat of the drink that makes the ink visible. They work with hot and cold liquids, so they can be used for every type of drink. The cups have a variety of uses, such as an instant-win promotion or the ability to disclose a hidden message. Consumer promotions are an important communication tool in the fast-moving consumer goods (FMCG) marketplace and these innovations mean such concepts can now be transferred to the vending sector.

Selling More than Drinks

In October 2006, Inspired Gaming Group (IGG), an amusement-machine developer that is quoted on the Alternative Investment Market (AIM), announced it was expanding a trial to develop a new generation of vending machines in partnership with Coca-Cola. The machines will sell not only Coke, but a range of other products and services, including ringtones and pre-pay top-up vouchers for mobile phones. They will burn CDs and allow customers to play computer games. The machines can also act as jukeboxes.

The new generation of Coke vending machines take the familiar-looking Dixie-Narco 5000 model and add a computer display that provides customers with a touch-screen menu of services they can buy by feeding coins into a slot as they would normally. Initial results have been positive, according to IGG, with the new machines taking twice as much money as normal ones.

LEGISLATIVE CHANGES

Age Discrimination

The Employment Equality (Age) Regulations 2006 came into force on 1st October 2006. The Regulations apply to employment and vocational training and prohibit unjustified direct and indirect discrimination, and all harassment and victimisation on grounds of age. The regulations also:

- remove the upper age limit for unfair dismissal and redundancy rights thus giving older workers the same rights to claim unfair dismissal or to receive a redundancy payment as younger workers, unless there is a genuine retirement
- allow pay and non-pay benefits dependent on length of service requirements of less than 5 years, which recognise and reward loyalty and experience and motivate staff to continue
- remove age limits for Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay, so that the legislation for all four statutory payments applies in exactly the same way to all
- remove the lower and upper age limits in the statutory redundancy scheme, but leave the current age-banded system in place
- provide exemptions for many age-based rules in occupational pension schemes (they are contained in Schedule 2 to the Regulations).

Most industrial and commercial sectors within the UK are likely to be affected by the introduction of this legislation including automatic vending.

CORPORATE

Autobar acquired a number of UK vending businesses in 2006, including Balmoral in Corby, Vendraid Automatic Caterers in Birmingham and Refreshing Times in Kettering.

In February 2006, Bunzl PLC acquired The Midshires Group, which is based in Shrewsbury and has locations in Wolverhampton, Loughborough and Northampton.

In June 2006, Crane Merchandising Systems Ltd's parent company, Crane Co, acquired certain assets of Automatic Products International (API), a privately held manufacturer of vending equipment based in Minnesota. In October 2006, Crane Co also purchased Dixie-Narco Inc, a manufacturer of can and bottle vending machines.

In July 2006, Deutsche Wurlitzer was acquired by the Gibson Guitar Corporation from its owners, the Australia-based Nelson Group of Companies. The deal brings the Wurlitzer Jukebox and Vending Electronics brand wholly under the Gibson banner.

In February 2004, 24seven Vending Ltd was sold by its owners Inhoco 789 to Broomco (3929) Ltd, owned by Barclays Bank PLC. A new board of directors was also appointed.

THE ENVIRONMENT

Waste of Electrical and Electronic Equipment

In July 2006, the Department of Trade and Industry (DTI) published its consultation on the implementation on the Waste Electrical and Electronic Equipment (WEEE) Directive. The WEEE Directive is European environmental legislation and aims to increase the recycling and reuse of electrical and electronic machines and components. Vending is covered by Category 10 of the legislation, and once this is implemented, producers/importers and operators/end users will be required to collect end-of-life vending machines to recover, recycle and dispose of the material in accordance with the requirements of the directive.

As part of an Automatic Vending Association (AVA) initiative, a collective company/scheme has been formed by producers to provide a 'one-stop shop' solution to handle the collection, treatment and disposal of end-of-life machines. This collective company is called c10c.

The UK is one of only two countries (the other is Malta) that have not yet transposed the WEEE regulations into law and the Government has now confirmed a revised timetable:

- 2nd January 2007 — the regulations came into force
- 15th March 2007 — producers must have joined a compliance scheme by this date
- 1st April 2007 — producers have to mark electrical and electronic equipment (EEE) by this date
- 1st July 2007 — full responsibility for treating and recycling household WEEE comes into force.

Restriction of Hazardous Substances Regulations

The Restriction of Hazardous Substances Regulations (RoHS) Regulations came into force across Europe, including the UK, on 1st July 2006. The RoHS regulations ban the placing on the EU market of new electrical and electronic equipment containing more than agreed levels of certain materials (lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl [PBB] and polybrominated diphenyl ether [PBDE] flame retardants). The Regulations are likely to have an effect on the automatic vending sector as some of the electrical and electronic equipment used in the manufacture of automatic vending machines may contain the banned substances. In the UK, the regulations are being implemented by the DTI and will be policed by Weights and Measures who say a 'light touch' will be applied for the first year.

8. The Global Market

INTRODUCTION

The penetration of vending machines and the types of products they sell varies around the world. In the mature markets of the US, Japan and Europe, the number of new vending machines in use has more or less stabilised and further substantial expansion is not envisaged. In other markets, such as China, the vending sector is only in its infancy and significant growth in the size and scale of the market is expected over the next decade.

There are also variations in the type of products sold in vending machines by country.

Some, such as Japan, allow the sale of products such as alcoholic beverages through machines, while other countries do not. Similarly, some countries allow the sale of vended cigarettes, while in other parts of the world, the practice is under review due to concerns about under-age buyers.

In the US, the vending sector relies, to a large extent, on sales through the workplace and recent changes to the structure of the workforce in the US have affected demand. The vending market in Japan, by comparison, is larger and more diverse and therefore appears to be less reliant on sales to any one particular sector.

THE US

Most vending machines in the US are operated by vending companies that offer a wide variety of services and products. There are also large amounts of vending machines that are owned by store owners, or by individuals who buy or rent several machines. Other machines, such as US Postal Service machines, are maintained by governmental or quasi-governmental entities and bottlers, such as the Coca-Cola Corporation and Pepsi, own, stock and service a large number of soda machines.

According to *Automatic Merchandiser (State of the Vending Industry Report)*, the turnover of the US automatic vending industry increased by 3% in 2005 to \$21.89bn. Despite this increase, the value of the market in 2005 still has to recover from the levels seen in 2001 and 2002. During those years, operators removed machines from thousands of work locations that were affected by falling employee numbers. The recovery in the market in 2004 and 2005 occurred, in part, because these locations stopped shedding employees.

Changes in the structure of the US workforce have also affected the vending industry's ability to increase its revenues; most of the recent improvement in the US employment situation has occurred in sectors where vended product consumption has traditionally been low and far less than in the blue-collar manufacturing sector, which is the vending industry's main customer base.

White-collar employees typically buy less from vending machines than blue-collar workers, in part because they have more time for meals and are less inclined to remain on-site for these meals. As the economy has become more diversified therefore, the non-blue-collar locations have assumed a larger share of the workforce, and have, in the process, reduced vending operators' per-location sales and profits.

Table 24: US Automatic Vending Industry Revenues (\$bn), 2001-2005

	2001	2002	2003	2004	2005
Revenues (\$bn)	23.20	22.10	21.05	21.26	21.89
% change year-on-year	-	-4.7	-4.8	1.0	3.0

Source: Automatic Merchandiser (State of the Vending Industry Report)

The two main locations for automatic vending machines in the US in 2005 were manufacturing sites and offices which, together, accounted for 58.2% of the total. Schools and colleges were the third main location in 2005, just ahead of retail outlets, which suffered a sharp reduction in their percentage compared with 2004. By comparison, the percentage of machines located in hospitals and nursing homes nearly doubled to 7.1% in 2005.

Table 25: US Automatic Vending Machines by Location (%), 2004 and 2005

	2004	2005
Manufacturing	28.4	31.6
Offices	26.8	26.6
Schools/colleges	11.0	12.3
Retail sites	21.0	11.5
Hospitals/nursing homes	3.8	7.1

Table continues...

Table 25: US Automatic Vending Machines by Location (%), 2004 and 2005

<i>...table continued</i>		
	2004	2005
Restaurants/bars/clubs	1.6	2.9
Correctional facilities	1.7	1.5
Military bases	1.2	0.2
Others	4.5	6.3
Total	100.0	100.0
<i>Source: Automatic Merchandiser (State of the Vending Industry Report)</i>		

Sales of cold beverages and sales of manual foodservices are the two main sources of income for the US vending industry. In 2005, these generated combined revenues of \$12.92bn or 59% of the overall total. Estimated sales of candy, snacks and confectionery also increased in 2004, to \$4.16bn up by 3% on 2004. Sales of vended foods such as ice cream and cigarettes are fairly modest by comparison, accounting for sales of £330m and \$130m, respectively, in 2005.

Table 26: Estimated Vending Sales in the US by Category (\$bn), 2004 and 2005

	2004	2005
Manual foodservice	6.38	6.57
Cold beverages	6.12	6.35
Candy/snacks/confectionery	4.04	4.16
Vend food	1.32	1.36
Hot beverages	1.04	1.05
Office coffee service (OCS)	0.87	0.98
<i>Table continues...</i>		

**Table 26: Estimated Vending Sales in the US
by Category (\$bn), 2004 and 2005**

<i>...table continued</i>		
	2004	2005
Milk	0.32	0.35
Ice cream	0.23	0.33
Cigarettes	0.13	0.13
Others	0.80	0.83
Total	†21.26	†21.89
<i>† — does not sum due to rounding at source</i>		
<i>Source: Automatic Merchandiser (State of the Vending Industry Report)</i>		

JAPAN

Japan is the world's largest market for vending machines and vended products, with estimated sales of more than \$60bn in 2005. According to the Japanese Vending Machine Manufacturers Association, there were 5.6 million vending machines in Japan in 2005, which equates to approximately one vending machine for every 23 people.

Vending machines are popular in Japan due to the high population density, limited space, a preference for shopping on foot or by bicycle, and low rates of vandalism and petty crime. Because of this, there appears to be no limit to what is sold by vending machines and, while the majority of machines are stocked with drinks, snacks and cigarettes, others sell items such as bottles of spirits, cans of beer and potted plants.

Almost half the vending machines in Japan sell beverages, while vending machines that sell alcoholic beverages and cigarettes are also numerous. Other varieties of vending machines are found in smaller numbers. These sell goods such as ice cream, rice, instant cameras, cup noodles, newspapers, flowers, toys, videos and batteries. Mobile phone recharging stations are also available.

Concerns about minors purchasing cigarettes from vending machines in Japan have led to the Tobacco Institute of Japan, The Japan Tobacconist Federation and the Japan Vending Machine Manufacturers Association developing a system of identification (ID) cards, which will be required to buy vended cigarettes. Trials in two Japanese cities have proved to be successful and if the system works it is due to be extended to other cities in 2007.

EUROPE

According to the European Vending Machine Manufacturers Association (EVMMA), there are around 4 million food, drink and refreshment vending machines in Europe and around 250,000 new vending machine sales each year.

The largest European market for new vending machines sales is Italy, followed by the UK and the Republic of Ireland, Germany, France and the Netherlands. In 2004 (the latest year for which EVA statistics are available), around 613,000 vending machines were in use in Italy, compared with 593,000 in France, 520,000 in the UK and 502,000 in Germany.

FUTURE GROWTH MARKETS

One of the main growth markets for vending machines in the future is expected to be China. According to the Worldwide Vending Association, the Chinese vending industry is in its infancy at present, with little more than 40,000 machines in operation. However, a combination of factors such as the hosting by China of both the 2008 Olympic Games and the World Expo in 2010 is expected to increase the popularity of vending machines.

China's urban population (around 500 million people) represents the main market potential for vending, particularly techno-savvy teenagers, white-collar workers and socially active consumers who belong to the high-income brackets. These are relatively insensitive to price and will welcome the convenience and on-the-go functionalities that vending offers.

9. Forecasts

INTRODUCTION

Sales of vending products are expected to continue increasing over the 5-year period from 2007 to 2011, as consumer demand for convenience foods and refreshments, and the popularity of snacking, help to bring additional growth to the market. The introduction of more healthy options to vending machines should also help to increase their appeal to a wider range of consumers.

THE ECONOMY

Gross Domestic Product

Gross domestic product (GDP) in the UK is forecast to increase by 2.5% in 2006 and then demonstrate annual growth rates of between 2.4% and 2.6% up to 2010. Although these levels and changes in annual GDP growth rates may not have a major and direct impact on vending sales, the manufacturers and operators of vending machines do require a firm economic foundation in order to make future investment decisions. As such, the level of economic expansion expected up to 2010 should help to boost growth in the sector.

Table 27: Forecast UK Growth in Gross Domestic Product in Real Terms (%), 2006-2010

	2006	2007	2008	2009	2010
Gross domestic product growth (%)	2.5	2.4	2.5	2.6	2.6
<i>Percentage point change year-on-year</i>	-	-0.1	0.1	0.1	0.0
<i>Source: Forecasts for the UK Economy, November 2006, Treasury Independent Average © Crown copyright</i>					

Inflation

Annual inflation in the UK is forecast to remain at 2.8% in 2006, but will then ease slightly and stay at around 2.5% between 2008 and 2010. Inflationary pressures in themselves therefore should not create any major problems for the automatic vending industry.

Table 28: Forecast UK Rate of Inflation (%), 2006-2010

	2006	2007	2008	2009	2010
Inflation (%)	2.8	2.7	2.5	2.5	2.5
<i>Percentage point change year-on-year</i>	0.0	-0.1	-0.2	0.0	0.0
<i>Note: inflation is at retail price index (RPI).</i>					
<i>Source: Forecasts for the UK Economy, November 2006, Treasury Independent Average © Crown copyright</i>					

Unemployment

Unemployment in the UK is projected to edge up from 940,000 in 2006 to 1.04 million in 2009 and 2010. Although these are generally higher rates than those witnessed in the first half of the decade (between 850,000 and 970,000), unemployment in itself should not have a large impact on sales of vending products.

Table 29: Forecast Actual Number of Unemployed Persons in the UK (million), 2006-2010

	2006	2007	2008	2009	2010
Actual number of claimants (million)	0.94	1.00	1.03	1.04	1.04
<i>% change year-on-year</i>	9.3	6.4	3.0	1.0	0.0
<i>Source: Forecasts for the UK Economy, November 2006, Treasury Independent Average © Crown copyright</i>					

Population

The UK's population is forecast to increase by average annual levels of 0.4% to 0.5% in the second half of the decade and, by 2010, is likely to have reached around 61.6 million. A continuing problem for the automatic vending industry is the change in the structure of the UK population, with the proportion of older people in the population expected to rise and the proportion of younger people expected to fall. A reduction in the number of younger people in the population could well have an adverse effect on demand for certain types of vending products.

Table 30: Forecast UK Resident Population by Sex (000), Mid-Years 2006-2010

	2006	2007	2008	2009	2010
Female	30,864	30,987	31,101	31,216	31,333
Male	29,668	29,833	29,984	30,135	30,286
Total	†60,533	†60,821	61,085	61,351	61,619
% change year-on-year	0.5	0.5	0.4	0.4	0.4
<i>† — does not sum due to rounding by source</i>					
<i>Source: Projections Database, Government Actuary's Department</i>					
<i>© Crown copyright</i>					

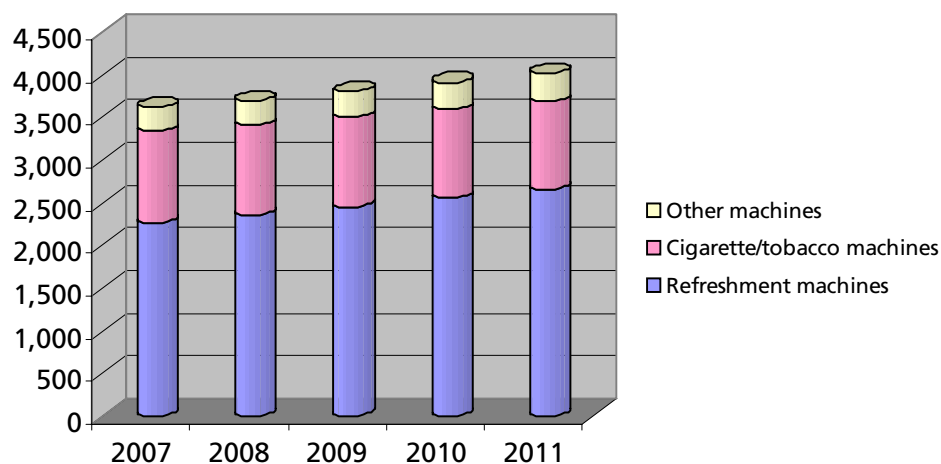
FORECASTS 2007 TO 2011

Sales of vended products are forecast to rise by 2.7% to £3.62bn in 2007, but are then likely to produce a lower rate of growth of 2.3% in 2008. Annual growth rates thereafter and up to 2011 are forecast to average around 2.8% and 2.9% a year and result in an overall market value of £4bn in 2011.

Table 31: The Forecast Total UK Automatic Vending Machines Market by Value at Current Prices (£m at rsp), 2007-2011

	2007	2008	2009	2010	2011	% Change 2007- 2011
Value (£m at rsp)	3,616	3,700	3,806	3,914	4,022	11.2
% change year-on-year	2.7	2.3	2.9	2.8	2.8	
<i>rsp — retail selling prices</i>						
<i>Source: Key Note</i>						
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>						

Figure 3: The Forecast Total UK Automatic Vending Machines Market by Sector by Value at Current Prices (£m at rsp), 2007-2011



Source: Key Note

Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.

By Market Sector

Refreshment Machines

Sales of refreshments through vending machines are forecast to increase by 4.2% to £2.28bn in 2007 and reach £2.66bn by 2011, a 16.9% advance on 2007. The percentage of total vending sales accounted for by refreshment sales is also forecast to increase from 62.1% in 2006 to 66.1% in 2011.

The move towards healthier products should help to boost sales in both schools and other locations, and the ongoing improvements in the quality and range of the drinks served should help to increase the popularity of vended products. The industry is also steadily improving various aspects of the vending technology, such as food heating systems, and this should help to develop the vending market for hot snacks such as toasted sandwiches.

The continued siting of vending machines in key locations such as transport terminals, hospitals and schools should also help to enhance demand for vended products.

Table 32: The Forecast UK Refreshment Machine Sector by Value at Current Prices (£m at rsp), 2007-2011

	2007	2008	2009	2010	2011	% Change 2007- 2011
Value (£m at rsp)	2,276	2,365	2,460	2,558	2,660	16.9
% change year-on-year	4.2	3.9	4.0	4.0	4.0	
<i>rsp — retail selling prices</i>						
<i>Source: Key Note</i>						
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>						

Cigarette/Tobacco Machines

Sales of cigarettes and other tobacco products through vending machines are forecast to continue falling between 2007 and 2011 and be worth around £1.03bn in 2011 or 3.6% lower than in 2007. The falls will be caused by further declines in the number of smokers in the population and the government's ban on smoking in enclosed public places, which will come into force in July 2007. This will mostly affect vended cigarette sales in establishments that sell food, such as public houses and restaurants, etc., and in other types of public venues, such as cinemas.

Table 33: The Forecast UK Cigarette/Tobacco Machines Sector by Value at Current Prices (£m at rsp), 2007-2011

	2007	2008	2009	2010	2011	% Change 2007- 2011
Value (£m at rsp)	1,069	1,050	1,045	1,040	1,030	-3.6
% change year-on-year	-1.0	-1.8	-0.5	-0.5	-1.0	
<i>rsp — retail selling prices</i>						
<i>Source: Key Note</i>						
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>						

Other Machines

Sales of other types of products through vending machines are expected to be the fastest-growing segment of the market between 2007 and 2011, with the value of the sector increasing from £271m in 2007 to £332m in 2011, a 22.5% rise.

The sales of products other than refreshments or cigarettes through vending machines, remain a highly underdeveloped market compared with countries such as Japan where a wide range of items such as cosmetics, stationery, DVDs and mobile phones are sold via vending machines. Improvements in the technology needed to stock these goods — including the security features and the robustness of the vending machines — are being made and these should help to boost growth in the market.

Table 34: The Forecast UK Other Machines Sector by Value at Current Prices (£m at rsp), 2007-2011

	2007	2008	2009	2010	2011	% Change 2007- 2011
Value (£m)	271	285	301	316	332	22.5
% change year-on-year	6.3	5.2	5.6	5.0	5.1	

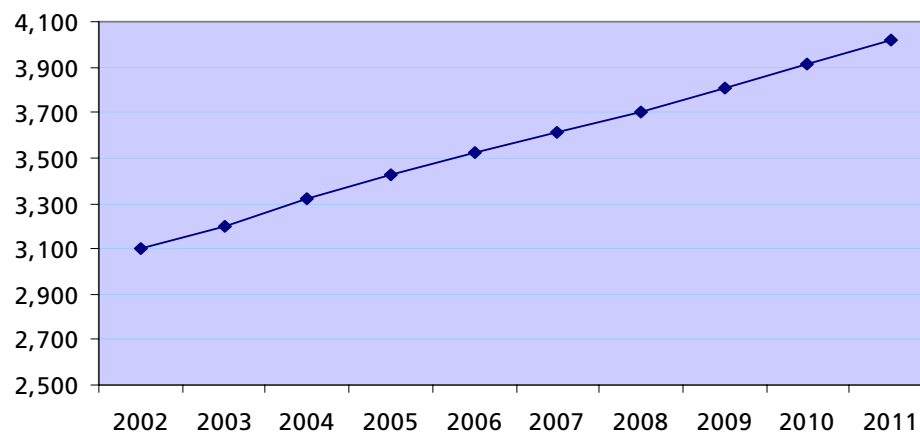
Source: Key Note

Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.

MARKET GROWTH

Between 2002 and 2011, the automatic vending market is forecast to increase by 29.7% to £4.02bn.

Figure 4: The Forecast UK Automatic Vending Machines Market by Value at Current Prices (£m at rsp), 2002-2011



Source: Key Note

Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.

FUTURE TRENDS

Cashless Vending

Vending has gone through significant changes over the decades and one of the most important today is telemetry. The advent of reliable, affordable wireless technology has made telemetry practical and provided the medium through which cashless payments can be authenticated. Machines equipped with telemetry can transmit sales and stock data to a supplier who then knows exactly what products to bring in for restocking. Alternatively, the data can be transmitted to a remote headquarters for use in scheduling a service, detecting component failure or verifying collection information. It is felt that telemetry could be one of the most significant current developments in vending technology.

Other Technological Advances

In addition to the use of telemetry, a wide range of other technological advances are currently being developed by the industry. These include:

- machines that sell products with payment via mobile phones
- machines equipped with Internet browsers
- order panels with tactile screens
- machines that talk, for the blind or visually impaired
- more environmentally friendly machines that use refrigerants that are harmless for the environment, make better use of environmentally friendly materials, or recycled ones, and use less energy.

10. Company Profiles

INTRODUCTION

The following section contains financial profiles of some of the principal companies identified as operating within the market sector discussed in this report. The financial results of some of the important names within the sector may not be reported if:

- their principal activities are so varied that their results are not considered applicable to the survey
- they are no longer trading as separate companies
- their financial data are very out of date.

DEFINITIONS

A company which has a 'Y' consolidated value has filed consolidated accounts for the relevant year.

† — denotes that the growth rate calculation is invalid, because the figures either move from positive to negative or from negative to positive.

Turnover (Sales)

This includes all income derived from the principal activities of the firm, net of VAT. It encompasses UK sales, exports and overseas and intercompany sales.

Pre-Tax Profits

The net trading profit figure after deduction of all operating expenses, including depreciation and finance charges but before deduction of tax, dividends, subventions or group relief, and other appropriations. Where applicable, it will include the share of profits and losses of associated companies. Items described by the company as exceptional are included; extraordinary items are excluded.

Profit Margin

Pre-tax profits expressed as a percentage of sales.

Average Remuneration

Total employee remuneration divided by the number of employees.

Sales per Employee

Sales divided by the number of employees.

FURTHER INFORMATION

For more detailed financial information telephone *ICC Customer Services* on: 020-7426 8555

24SEVEN VENDING LTD

Registered Office	1,300 Park Avenue Aztec West Almondsbury Bristol, BS12 4RX Telephone: 01217-303 151
Company Registration Number	00661893
Date of Incorporation	09/06/60
Holding Company	None
Ultimate Holding Company	Broomco (3,929) Ltd

Previous Name(s) and Date(s) of Change

24 Seven Vending Ltd (03/08/01)
 Granada Vending Services Ltd (10/05/99)
 P&O Vending Services Ltd (18/06/93)
 Sutcliffe Vending Ltd (01/01/88)
 The Sutcliffe Catering Company (Southern) Ltd (07/11/84)

Principal Activities

The sale, rental, maintenance and operation of vending equipment.

SIC Codes

51650, Wholesale of other machinery for use in industry, trade and navigation.
 71340, Renting of other machinery and equipment not elsewhere classified.
 65210, Financial leasing.
 52630, Other non-store retail sale.

Structure

24seven Vending supplies equipment, parts, ingredients and machine supplies. It also offers maintenance, repair and servicing options. 24seven claims to be the largest independent automated refreshment service provider in the UK, with ten sites located across the country.

Recent Developments

24seven Vending Ltd has been restructuring its financial position and this culminated, in February 2006, in the sale of the company from Inhoco 789 Ltd to a new parent company, Broomco (3,929) Ltd, owned by Barclays Bank PLC. A new board of directors was also appointed.

FINANCIAL PROFILE

Year End	24/09/05	25/09/04	27/09/03	28/09/02
Weeks	52	52	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	20,174	21,970	24,735	28,654
% change year-on-year	-8.17	-11.18	-13.68	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	138	-11,160	1,346	2,190
% change year-on-year	†	†	-38.54	-
Profit Margin (%)	0.68	-50.80	5.44	7.64
Operating Profit (£000)	241	-11,452	880	1,805

Employees

Number of Employees	336	370	402	474
Average Employee Remuneration (£)	16,393	15,246	14,828	13,865
Sales per Employee (£)	60,042	59,378	61,530	60,451
Profit per Employee (£)	411	-30,162	3,348	4,620
Capital Employed per Employee (£)	5,479	13,511	33,684	25,774

Balance Sheet/Ratios

Capital Employed (£000)	1,841	4,999	13,541	12,217
Return on Capital (%)	7.50	-223.24	9.94	17.93
Net Worth (£000)	1,841	1,703	10,461	8,949
Current Ratio (%)	0.81	1.01	1.93	1.02
Liquidity Ratio (%)	0.62	0.60	1.27	0.65

AUTOBAR GROUP LTD

Registered Office	East Wing 14th Floor 389 Chiswick High Road Chiswick London, W4 4AJ Telephone: 020-8326 8000
Company Registration Number	00209116
Date of Incorporation	19/10/25
Holding Company	Acorn (UK) 1 Ltd
Ultimate Holding Company	Charterhouse Capital Partners

Previous Name(s) and Date(s) of Change

None

Principal Activities

A management centre for the group.

SIC Code

74143, General management consultancy activities.

Structure

The Autobar Group is one of the largest vending organisations in Europe. The company is based in Middlesex and provides equipment, ingredients and training across the vending sector.

Brand Information

Autobar Vending Services supplies hot and cold beverage machines, as well as snack, confectionery and food vending machines to a wide European client base. The company currently serves more than 100,000 customers.

Recent Developments

Autobar has continued to expand its business in the UK with the acquisitions of Balmoral in Corby, Vendaid Automatic Caterers in Oldbury, Birmingham, and Refreshing Times in Kettering.

FINANCIAL PROFILE

Year End	03/04/05	28/03/04	30/03/03	31/03/02
Weeks	53	52	52	52
Consolidated	N	Y	Y	Y

Sales

Sales (£000)	14,218	263,447	265,611	260,190
% change year-on-year	-94.60	-0.81	2.08	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	416	-1,045	3,094	3,143
% change year-on-year	†	†	-1.56	-
Profit Margin (%)	2.93	-0.40	1.16	1.21
Operating Profit (£000)	-4,330	1,452	3,894	4,612

Employees

Number of Employees	55	1,813	1,908	1,886
Average Employee Remuneration (£)	45,275	21,145	21,247	20,255
Sales per Employee (£)	253,632	145,310	139,209	137,959
Profit per Employee (£)	7,421	-576	1,622	1,666
Capital Employed per Employee (£)	676,709	42,787	42,218	42,007

Balance Sheet/Ratios

Capital Employed (£000)	37,219	77,572	80,551	79,226
Return on Capital (%)	1.10	-1.35	3.84	3.97
Net Worth (£000)	36,734	38,502	37,173	57,053
Current Ratio (%)	0.82	1.18	1.11	1.11
Liquidity Ratio (%)	0.82	0.77	0.75	0.74

BUNZL VENDING SERVICES LTD

Registered Office	110 Park Street London, W1K 6NX Telephone: 020-8998 2828 Fax: 020-8998 0704
Company Registration Number	02605313
Date of Incorporation	25/04/91
Holding Company	Provend Group Ltd
Ultimate Holding Company	Bunzl PLC

Previous Name(s) and Date(s) of Change

Provend Services Ltd (26/04/01)
Gradesound Ltd (17/06/91)

Principal Activities

The supply, installation, service and operation of drink, snack and food vending equipment, and the sale of vending, catering and hygiene products.

SIC Codes

52630, Other non-store retail sale.
51390, Non-specialised wholesale of food, beverages and tobacco.
51700, Other wholesale.

Structure

Bunzl Vending Services is one of the UK's largest independent vending operators and part of Bunzl PLC. The company has 15 offices across the UK, more than 1,000 field engineers and maintains 40,000 vending machines. Bunzl installs, operates and services beverage, snack, confectionery, water and can machines.

Brand Information

Machines are mainly supplied from the three largest manufacturers: Crane Merchandising Systems, N&W Vending and Westomatic. Suppliers of items for the machines include leading consumer brand owners, such as Kenco, Tetley, Nescafé, Cadbury, Walkers, Mars, Pepsi and Coca-Cola.

Recent Developments

In February 2006, Bunzl PLC acquired The Midshires Group Ltd, a vending company based in Shrewsbury and with locations in Wolverhampton, Loughborough and Northampton. Midshires is principally engaged in the operation and sale of vending machines and associated services throughout central England.

FINANCIAL PROFILE

Year End	31/12/05	31/12/04	31/12/03	31/12/02
Weeks	52	52	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	51,066	51,543	49,458	46,155
% change year-on-year	-0.93	4.22	7.16	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	3,438	426	1,657	2,198
% change year-on-year	707.04	-74.29	-24.61	-
Profit Margin (%)	6.73	0.83	3.35	4.76
Operating Profit (£000)	4,554	1,773	2,654	3,100

Employees

Number of Employees	999	927	880	850
Average Employee Remuneration (£)	15,580	16,852	16,251	15,813
Sales per Employee (£)	51,117	55,602	56,202	54,300
Profit per Employee (£)	3,441	460	1,883	2,586
Capital Employed per Employee (£)	2,111	1,605	2,040	1,738

Balance Sheet/Ratios

Capital Employed (£000)	2,109	1,488	1,795	1,477
Return on Capital (%)	163.02	28.63	92.31	148.82
Net Worth (£000)	-5,484	-8,255	-6,479	-7,359
Current Ratio (%)	0.56	0.64	0.66	0.66
Liquidity Ratio (%)	0.44	0.50	0.52	0.51

CRANE MERCHANDISING SYSTEMS LTD

Registered Office	Pipsmore Park Bumpers Farm Industrial Estate Chippenham Wiltshire, SN12 8LD Telephone: 01249-444 807 Fax: 01249-444 819
Company Registration Number	02360425
Date of Incorporation	13/03/89
Holding Company	Crane Ltd
Ultimate Holding Company	Crane Corporation (US)

Previous Name(s) and Date(s) of Change

Stentorfield Ltd (19/06/01)

Principal Activities

The design, manufacture and sale of vending machines.

SIC Code

29240, Manufacture of other general-purpose machinery not elsewhere classified.

Structure

Crane Merchandising Systems Ltd is a subsidiary of a US parent, and it is a leading supplier of beverage, food and snack machines. Crane's European headquarters are based in the UK, along with a manufacturing facility.

Brand Information

Crane Merchandising Systems operates under the Stentorfield and National Vendors brands, and delivers a range of hot and cold drinks machines, snack and food merchandisers, and combination models

Recent Developments

In June 2006, Crane Merchandising Systems Ltd's parent company, Crane Co, entered into an agreement to purchase certain assets of Automatic Products International (API), a privately held manufacturer of vending equipment, based in Minnesota. The company plans to maintain separate, competing front-end organisations for the two businesses by continuing to provide machines, parts and service back-up, both in the US and in the UK. Crane Merchandising Systems Europe will continue to be run from Chippenham.

FINANCIAL PROFILE

Year End	31/12/05	31/12/04	31/12/03	31/12/02
Weeks	52	52	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	20,053	22,887	23,039	22,041
% change year-on-year	-12.38	-0.66	4.53	-
Exports (£000)	365	1,205	1,902	2,260
Exports/Sales (%)	1.82	5.26	8.26	10.25

Profits

Pre-Tax Profits (£000)	1,246	1,942	2,172	10,631
% change year-on-year	-35.84	-10.59	-79.57	-
Profit Margin (%)	6.21	8.49	9.43	48.23
Operating Profit (£000)	1,211	1,927	2,191	2,103

Employees

Number of Employees	133	136	128	140
Average Employee Remuneration (£)	27,188	25,904	26,313	24,700
Sales per Employee (£)	150,774	168,287	179,992	157,436
Profit per Employee (£)	9,368	14,279	16,969	75,936
Capital Employed per Employee (£)	106,376	105,287	96,680	74,079

Balance Sheet/Ratios

Capital Employed (£000)	14,148	14,319	12,375	10,371
Return on Capital (%)	8.81	13.56	17.55	102.51
Net Worth (£000)	13,637	13,018	11,523	10,044
Current Ratio (%)	4.36	3.34	2.76	2.64
Liquidity Ratio (%)	3.73	2.86	2.29	2.06

SELECTA UK LTD

Registered Office	Parklands Court 24 Parklands Birmingham Great Park Rubery Birmingham, B45 9PZ Telephone: 02890-771 177
Company Registration Number	00157122
Date of Incorporation	16/07/19
Holding Company	Vendepac Holdings Ltd
Ultimate Holding Company	Compass Group PLC

Previous Name(s) and Date(s) of Change

Vendepac Ltd (20/01/03)
 TM Group Ltd (01/05/98)
 TM Group PLC (18/07/95)
 TM Group Ltd (21/04/89)
 Mayfair Group Ltd (12/05/86)

Principal Activities

The sale of beverages, snacks and confectionery products from vending machines.

SIC Code

52630, Other non-store retail sale.

Structure

Selecta UK Ltd is part of the Business & Industry Division of the Compass Group PLC, the world's largest contract caterer. Selecta is one of Europe's leading vending companies selling over 4 million drinks across Europe each day from over 130,000 point-of-sale (PoS) units. The company has 11 offices in the UK and the Republic of Ireland, and has market-leading positions in France, Switzerland, Germany, the UK, the Republic of Ireland, Sweden, Finland and the Baltic States.

Brand Information

Selecta UK Ltd designs vending areas within businesses, supplies local merchandisers with the ingredients to stock their machines and offers turn-key beverage kiosks under the Ritazza brand.

Recent Developments

Selecta has introduced Balanced Choices, a program that states the contents of the vended products they sell on the vending machines. Items under the Selecta Balanced Choices are less than 200 calories (Kcal), contain less than 6 grams (g) of fat, less than 250 milligrams (mg) of sodium for snacks and less than 5g of added sugar for cold drinks.

FINANCIAL PROFILE

Year End	30/09/05	25/09/04	27/09/03	28/09/02
Weeks	53	52	52	44
Consolidated	N	N	N	N

Sales

Sales (£000)	74,686	66,984	64,605	43,503
% change year-on-year	11.50	3.68	48.51	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	-1,818	2,391	4,501	541
% change year-on-year	-176.04	-46.88	731.98	-
Profit Margin (%)	-2.43	3.57	6.97	1.24
Operating Profit (£000)	-2,146	3,349	5,620	1,311

Employees

Number of Employees	1,124	1,008	933	933
Average Employee Remuneration (£)	17,667	16,820	16,766	14,863
Sales per Employee (£)	65,193	66,452	69,244	55,105
Profit per Employee (£)	-1,587	2,372	4,824	685
Capital Employed per Employee (£)	8,628	11,364	10,031	6,975

Balance Sheet/Ratios

Capital Employed (£000)	9,698	11,455	9,359	6,508
Return on Capital (%)	-18.39	20.87	48.09	9.82
Net Worth (£000)	-2,956	-2,337	-4,995	-8,740
Current Ratio (%)	0.68	0.61	0.59	0.50
Liquidity Ratio (%)	0.57	0.48	0.49	0.41

SINCLAIR COLLIS LTD

Registered Office	Laches Close Four Ashes Wolverhampton Staffordshire, WV10 7DZ Telephone: 01902-797 272 Fax: 01902-797 270
Company Registration Number	00107677
Date of Incorporation	22/02/10
Holding Company	Imperial Tobacco Holdings (1) Ltd
Ultimate Holding Company	Imperial Tobacco Group PLC

Previous Name(s) and Date(s) of Change

Sinclair & Collis (Vending) Ltd (09/12/89)
Sinclair & Collis Ltd (28/07/88)

Principal Activities

The operation of vending machines.

SIC Code

52630, Other non-store retail sale.

Structure

Sinclair Collis is a subsidiary of Imperial Tobacco Group PLC and a major operator of vending machines selling cigarettes, tobacco products and smokers' requisites.

Brand Information

The company sells cigarettes and other tobacco products through around 30,000 outlets nationwide. The machines supplied come from a number of manufacturers, including Wurlitzer, Azkoyen and Autonumis.

Recent Developments

The government ban on smoking in public places, such as public houses and restaurants, which is to be introduced in 2007, is likely to have an impact on the company.

FINANCIAL PROFILE

Year End	30/09/05	30/09/04	27/09/03	28/09/02
Weeks	52	53	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	151,637	166,825	168,700	188,139
% change year-on-year	-9.10	-1.11	-10.33	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	3,183	6,895	8,492	1,804
% change year-on-year	-53.84	-18.81	370.73	-
Profit Margin (%)	2.10	4.13	5.03	0.96
Operating Profit (£000)	6,850	6,417	12,020	6,514

Employees

Number of Employees	323	345	362	402
Average Employee Remuneration (£)	22,941	21,517	20,892	19,649
Sales per Employee (£)	469,464	474,427	466,022	468,007
Profit per Employee (£)	9,854	19,608	23,459	4,488
Capital Employed per Employee (£)	83,988	106,290	131,304	90,863

Balance Sheet/Ratios

Capital Employed (£000)	27,128	36,670	47,532	36,527
Return on Capital (%)	11.73	18.45	17.87	4.94
Net Worth (£000)	-10,612	-14,539	-3,659	-14,294
Current Ratio (%)	0.99	1.16	1.71	1.26
Liquidity Ratio (%)	0.77	0.89	1.20	0.52

WESTOMATIC VENDING SERVICES LTD

Registered Office	Shaldon Road Newton Abbot Devon, TQ12 4TZ Telephone: 01626-323 100
Company Registration Number	00873813
Date of Incorporation	15/03/66
Holding Company	Brintor Group Ltd
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

Westomatic (Services and Engineering) Ltd (31/12/80)

Principal Activities

The manufacture, remanufacture and distribution of automatic vending machines and parts, and the provision of support services.

SIC Code

29240, Manufacture of other general-purpose machinery not elsewhere classified.

Structure

Westomatic is a privately owned company and one of the UK's leading manufacturers of vending machines. The company manufactures free-standing beverage and snack vending machines, plus table-top machines for smaller sites.

Brand Information

Westomatic offers a range of free-standing hot and cold beverage machines as well as table-top machines for smaller sites and catering environments. It also offers a range of snacks, confectionery, cans, bottles and fresh food items. Its brands include the Solo Encore and Solo Encore LX Temprano Interlude, Riviera Ultima, Espresso Café Azure and Coffee Time.

Recent Developments

Westomatic has joined forces with Select Vending and catering service provider Devon Direct, to improve the quality of food sold in vending machines. The programme, entitled *Healthy Vending*, is being piloted in Devon schools.

FINANCIAL PROFILE

Year End	01/10/05	02/10/04	27/09/03	28/09/02
Weeks	52	53	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	8,297	8,073	9,108	10,520
% change year-on-year	2.77	-11.36	-13.42	-
Exports (£000)	527	847	1,050	1,115
Exports/Sales (%)	6.35	10.49	11.53	10.60

Profits

Pre-Tax Profits (£000)	-946	-540	-411	-663
% change year-on-year	†	†	†	-
Profit Margin (%)	-11.40	-6.69	-4.51	-6.30
Operating Profit (£000)	-975	-712	-490	-783

Employees

Number of Employees	92	97	96	99
Average Employee Remuneration (£)	19,207	19,592	19,396	19,949
Sales per Employee (£)	90,185	81,656	94,875	106,263
Profit per Employee (£)	-10,283	-5,462	-4,281	-6,697
Capital Employed per Employee (£)	70,207	76,340	93,344	104,616

Balance Sheet/Ratios

Capital Employed (£000)	6,459	7,405	8,961	10,357
Return on Capital (%)	-14.65	-7.15	-4.59	-6.40
Net Worth (£000)	6,459	7,405	8,961	10,262
Current Ratio (%)	1.88	2.59	3.97	3.73
Liquidity Ratio (%)	1.28	2.01	2.98	2.94

11. Consumer Confidence

METHODOLOGY

In order to assess the degree of confidence consumers have, Key Note has commissioned BMRB Access to regularly question around 1,000 adults aged 15 and over in Great Britain about their willingness to spend. Consumer confidence surveys are conducted on a quarterly basis in February, May, August and November. The latest survey was undertaken in November 2006 among 1,002 adults aged 15 and over. Respondents were asked the following two questions:

“Assume you want or need to buy one or more expensive items, like a holiday, car, home improvement or an electronic item (like a widescreen television or home computer). What is the maximum amount of your own savings you would feel confident spending on all of these items at this moment in time?”

“Assume you want or need to buy one or more expensive items, like a holiday, car, home improvement or an electronic item (like a widescreen television or home computer). What is the maximum amount of money you would feel confident borrowing in order to buy these items at this moment in time?”

Respondents were given bands of possible spending levels, ranging from less than £250 to more than £10,000.

Analysing the results enables Key Note to calculate a monetary value of the maximum amount of borrowing consumers feel confident committing to expensive items at a particular instant in time. Tracking changes to this over time allows Key Note to assess changes in confidence alongside an assessment of the proportion of adults willing to borrow. In addition, rather than borrowing, consumers have the option to spend from their past savings, so an assessment of the willingness to use savings to finance expensive items provides a guide to consumers' willingness to spend and the extent to which they want to spend cautiously (from savings) or spend with more risk (via borrowing).

KEY FINDINGS THIS QUARTER

Consumer confidence weakened slightly in November 2006 after an improvement in the previous quarter (August 2006). In this quarter's survey, borrowing data suggest that consumers are more cautious about spending by going into debt and savings data indicate little change in confidence. In general, the statistical indicators are supporting the slightly negative view — overall financial health has deteriorated slightly.

THE WILLINGNESS TO BORROW

Confidence Slips Slightly

Based on the willingness of consumers to buy expensive items by borrowing money, there was a slight decline in consumer confidence between August and November 2006. Possibly due to the rise in interest rates in August 2006 to 4.75%, there was a slight decline in consumer's willingness to borrow: the fact that this decline was relatively modest may have prompted the Bank of England to increase rates again to 5% in November 2006.

The aggregate amount consumers were willing to spend by borrowing in November 2006 fell to £52bn, which is marginally lower than that recorded in August 2006 (£52.2bn). In the past year, the willingness to borrow has declined, with the aggregate amount consumers are willing to spend by taking on new debt being 7.1% lower in November 2006 compared with November 2005.

Excluding the 'don't knows', the typical adult in Great Britain was willing to borrow £1,061 to finance a major purchase in November 2006, compared with £1,152 in the same period of 2005. The period between August and November 2006 saw a slight decline in the average amount consumers were willing to borrow to finance major purchases, both on a seasonally adjusted (-3.2%) and constant price (-3.8%) basis.

Table A: The Average Amount Consumers Are Willing to Borrow in Order to Purchase Expensive Items at Current and Constant November 2004 Prices (£ and £bn), November 2005-2006

	11/05	02/06	05/06	08/06	11/06
Average amount willing to borrow at current prices (£) [†]	1,152	1,064	1,034	1,065	1,061
% change year-on-year	-	-7.6	-2.8	3.0	-0.4
Aggregate amount willing to borrow at current prices (£bn) [†]	56.0	52.1	50.7	52.2	52.0
<i>Table continues...</i>					

Table A: The Average Amount Consumers Are Willing to Borrow in Order to Purchase Expensive Items at Current and Constant November 2004 Prices (£ and £bn), November 2005-2006

...table continued

	11/05	02/06	05/06	08/06	11/06
Average amount willing to borrow at constant November 2004 prices (£)‡	1,083	1,085	1,007	1,013	975
% change year-on-year	-	0.2	-7.2	0.6	-3.8
<i>† — non-seasonally adjusted</i>					
<i>‡ — seasonally adjusted</i>					
<i>Source: Key Note/IRN Research</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

In terms of the amount consumers are willing to borrow, the consumer groups willing to borrow the most money are:

- men
- those in the AB and C2 social grades
- adults living in London, the South West and the West Midlands
- those in full-time employment
- those who own their home with a mortgage
- adults aged between 25 and 54 years
- individuals who are married
- adults with children.

Significantly More Adults Are Willing to Borrow

November 2006 saw a significant fall (of 18.5%) in the proportion of adults unwilling to borrow any money to purchase expensive items. This is very likely to be seasonally related, with Christmas approaching. The proportion of adults unwilling to borrow in November 2006 was at a similar level as that seen in November 2005 (44.2% in 2006 compared with 47% in 2005).

Table B: The Number of Adults Willing to Borrow in Order to Purchase Expensive Items (000 and %), November 2005-2006

	11/05	02/06	05/06	08/06	11/06
Adults aged 15+	48,622	49,004	49,004	49,004	49,004
Adults willing to borrow	25,770	24,698	24,747	22,542	27,344
Adults unwilling to borrow	22,852	24,306	24,257	26,462	21,660
% of adults unwilling to borrow	47.0	49.6	49.5	54.0	44.2
Net number of adults willing to borrow	2,918	392	490	-3,920	5,684

Source: Key Note/IRN Research

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It is generally the case that the willingness to borrow is more common among:

- adults who are separated or single
- those aged between 16 and 54 years
- individuals with children
- those living in rented accommodation and home owners with a mortgage
- adults in full-time employment
- those from Wales, East Anglia and the East Midlands
- adults in the C1 and DE social grades.

While these adults are often working, many are not very affluent and borrowing is likely to be a key method of financing Christmas.

Between August 2006 and November 2006, most adults increased their willingness to borrow, but some groups increased their desire to borrow much more strongly compared with consumers as a whole. Those who strongly increased their willingness to borrow over the past 3 months are adults who:

- are female
- live in East Anglia, Wales, the South East, the North, the East Midlands and the South West
- are aged between 25 and 34 years, or are relatively old compared with the heaviest borrowers, i.e. aged 55 and over
- live in privately rented or rent-free accommodation, or own their homes outright
- are in the C1 and DE social grades
- work part time or are retired
- are married or divorced
- have no children or only young children (aged between 0 and 4).

To some degree, the Christmas influence is seen here, with traditionally light borrowers (e.g. those aged 55 and over, the retired and women) increasing their desire to borrow in the run up to Christmas.

The only groups of adults that have shown a weaker desire to borrow between August 2006 and November 2006 are those who:

- rent from the council
- are relatively affluent (e.g. in the AB social grade)
- are separated
- live in Yorkshire and Humberside, and the West Midlands.

SPENDING FROM SAVINGS

Little Change in Spending from Savings

The amount consumers are willing to spend from their past savings increased again this quarter (November 2006), after a very large increase in August 2006. The balance of spending is increasingly shifting towards savings rather than borrowing, which could reflect recent interest-rate rises.

In November 2006, the average adult in Great Britain was willing to spend a maximum of £1,665 from his or her own savings on expensive items, compared with £1,609 in August 2006 and £1,590 in November 2005.

Compared with the previous survey in August 2006, this quarter saw little change in the amount consumers are willing to spend from their savings in current, constant and seasonally adjusted terms. Between August 2006 and November 2006, spending from savings grew by just 0.6% in seasonally adjusted current prices terms and remained unchanged in seasonally adjusted constant price terms.

Table C: The Average Amount Consumers Are Willing to Spend from Savings in Order to Purchase Expensive Items at Current and Constant November 2004 Prices (£ and £bn), November 2005-2006

	11/05	02/06	05/06	08/06	11/06
Average amount willing to spend from savings at current prices (£) [†]	1,590	1,477	1,268	1,609	1,665
% change year-on-year	-	-7.1	-14.2	26.9	3.5
Aggregate amount willing to spend from savings at current prices (£bn) [†]	77.3	72.4	62.1	78.8	81.6
Average amount willing to spend from savings at constant November 2004 prices (£) [‡]	1,495	1,507	1,235	1,531	1,531
% change year-on-year	-	0.8	-18.0	24.0	0.0
<i>† — non-seasonally adjusted</i>					
<i>‡ — seasonally adjusted</i>					
<i>Source: Key Note/IRN Research</i>					
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Saving Grows in Relative Importance

As was the case in the previous quarter, in November 2006, consumers favoured buying expensive items from past savings rather than going into further debt.

In November 2006, of the total amount consumers were confident spending, 61.1% came from savings: this is the highest proportion taken by savings since the quarterly confidence survey began (in November 2004).

Table D: The Average Amounts Adults Are Confident Spending to Purchase Expensive Items (£ and %), November 2005-2006

	11/05	02/06	05/06	08/06	11/06
From savings (£)	1,590	1,477	1,268	1,609	1,665
By borrowing (£)	1,152	1,064	1,034	1,065	1,061
Total	2,742	2,541	2,302	2,674	2,726
<i>of which:</i>					
From savings (%)	58.0	58.1	55.1	60.2	61.1
By borrowing (%)	42.0	41.9	44.9	39.8	38.9
Total	100.0	100.0	100.0	100.0	100.0
<i>Source: Key Note/IRN Research</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

Those willing to commit only small sums from their savings (e.g. less than £500) to buy expensive items are most likely to be found in the social groups that tend to live off fixed incomes, e.g. adults who are:

- female
- not married (divorced, widowed, single or separated)
- living in rented accommodation
- aged between 16 and 34 or 65 and over
- from the C2 and DE social grades
- living in Wales, the South West, East Anglia, the North, Yorkshire and Humberside, and Scotland
- parents

- not working, working part time or retired.

The groups who are willing and able to commit the heaviest amounts to spending by running down past savings are more likely to be relatively affluent and in full-time employment, although they are also found in relatively high numbers among adults aged 55 and over.

The adults who are more likely to use their savings rather than going into debt to finance big-ticket purchases tend to be older (aged 55 and over) and more affluent adults (in the AB and C1 social grades), and those who own their homes outright.

12. Further Sources

Associations

Automatic Vending Association
1 Villiers Court
40 Upper Mulgrave Road
Cheam
Surrey, SM2 7AJ
Telephone: 020-8661 1112
Fax: 020-8661 2224
<http://www.ava-vending.org>

British Water Cooler Association
Hartfield House
40-44 High Street
Northwood
Middlesex, HA6 1BN
Telephone: 01923-825 355
Fax: 01923-848 391
E-mail: info@bwca.org.uk
<http://www.bwca.org.uk>

European Vending Association
44 rue Van Eyck
1,000 Brussels
Belgium
Telephone: 0032-2512 0075
Fax: 0032-2502 23 42
E-mail: vending@eva.be
<http://www.eva.be>

National Association of Cigarette
Machine Operators
2 Waymills Industrial Estate
Whitchurch
Shropshire, SY13 1TT
Telephone: 01948-664 850
Fax: 01948-663 671

National Independent Vending
Operators
Independent House
Gildersome Spur
Morley
Leeds, LS27 7JZ
Telephone: 0113-281 0299
<http://www.nivogroup.co.uk>

Publications

Automatic Merchandiser
Cygnum Business Media
1,233 Janesville Avenue
Fort Atkinson
WI 53538
US
Telephone: 001-800 547 7377
Fax: 001-920 328 9029
<http://www.amonline.com>

University Lifestyle Survey 2006
Sodexo UK Ltd
Capital House
2nd Floor
25 Chapel Street
London, NW1 5DH
Telephone: 020-7535 7400
Fax: 020-7535 7401
<http://www.sodexo.co.uk>

Government Publications

Better Hospital Food/PEAT reports
NHS
The Department of Health
Richmond House
79 Whitehall
London, SW1A 2NL
Telephone: 020-7210 4850
E-mail: betterhospitalfood@dh.gsi.gov.uk
<http://www.betterhospitalfood.com>

Food Standards Agency
Aviation House
125 Kingsway
London, WC2B 6NH
Telephone: 020-7276 8000
<http://www.food.gov.uk>

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London, EC4A 1AB
Telephone: 020-7211 2601
Fax: 020-7211 2630
E-mail: enquiries@gad.gov.uk
<http://www.gad.gov.uk>
• Projections Database

HM Revenue & Customs
Crownhill Court
Tailyour Road
Plymouth, PL6 5BZ
Fax: 01752-765 807
E-mail: intenquiries@hmrc.gsi.gov.uk
<http://customs.hmrc.gov.uk>
• Overseas Trade Statistics

National Statistics
1 Drummond Gate
London, SW1V 2QQ
Telephone: 020-7533 5888
Fax: 01633-812 599
<http://www.statistics.gov.uk>
• Consumer Trends
• Economic Trends
• Family Spending
• Forecasts for the UK Economy
• General Household Survey
• Monthly Digest of Statistics
• UK Business: Activity, Size and Location

Other Sources

School Food Trust
N904 Moorfoot
Sheffield, S1 4PQ
Telephone: 0844-800 9048
Fax: 0114-259 1291
E-mail: info@sft.gsi.gov.uk
<http://www.schoolfoodtrust.org.uk>

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ICC Credit
Telephone: 020-8481 8800
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Plant Hire	12	2001	Toys & Games	20	2005
Plastics Processing	10	2003	Training	15	2006
Poultry	2	2005	Travel Agents & Overseas Tour Operators	19	2006
Power Tools	4	2005	Tyre Industry	3	2006
Premium Lagers, Beers & Ciders	6	2004	V		
Printing	12	2007	Vehicle Security	8	2007
Private Healthcare	17	2004	Videoconferencing	3	2003
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