1861142

Coca-Cola International Sales Limited

Report and Accounts

31 December 1998

DIRECTORS REPORT

Directors:	G. J. Darby	(resigned 25 September 1998)
	J. K. Sheppard	(appointed 25 September 1998)
	S. L. Ewart	
	A. T. Taylor	
	A. Cochrane	(resigned 20 January 1999)
	N. Shutter	(resigned 23 October 1998)
	C. Christensen	(appointed 20 January 1999)
	A. Robinson	(appointed 20 January 1999)
Secretary:	S. L. Ewart	(resigned 25 September 1998)
	J. M. Owen	(appointed 25 September 1998)

Registered Office: 1 Queen Caroline Street, London W6 9HQ
Number: 1861142

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,734,000 (1997 – £501,000). The directors recommend the payment of a £3,500,000 dividend (1997 – Nil).

CREDITOR PAYMENT POLICY

The company recognises the importance of maintaining good business relations with its suppliers and is committed to paying all invoices within agreed terms.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the company are the toll manufacture, procurement and supply of soft drinks to Europe, Africa, Caribbean, Asia and Eastern Bloc countries.

FUTURE DEVELOPMENTS

The company will continue to develop its business seeking further opportunities in new and emerging markets.

DIRECTORS REPORT (contd.)

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 1998 were those listed above. The directors have no beneficial interests in the shares of the company.

YEAR 2000 COMPLIANCE

Certain computer and digital storage systems express dates using only the last two digits to define the applicable year and may, therefore, experience challenges handling dates near the end of and beyond the year 1999. This may challenge computer applications, causing them to create erroneous results unless corrective measures are taken. In addition, the operation of our business depends not only upon our own computer systems, but also to some degree on those of our third parties, for example vendors, utilities, government agencies and customers. This could expose us to risk in the event a third party does not remedy its own Year 2000 issues.

The Company is using a detailed project plan to address Year 2000 readiness associated with application systems, embedded chips, key suppliers/vendors and business continuity plans.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be proposed at the Annual General Meeting.

On behalf of the Board.

S. L. Ewart
Director

Date: 8 October 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS to the members of Coca-Cola International Sales Limited

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of the evidence relevant to the amounts and disclosures in the accounts.

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998, and its profit for the year then ended, and have been properly prepared in accordance with the Companies Act, 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

Date: 8.10.99.

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1998

	Notes	1998 £000	1997 £000
TURNOVER	2	44,606	36,076
Cost of sales		38,949	30,719
GROSS PROFIT		5,657	5,357
Distribution costs	3	849	1,417
Administrative expenses		3,227	3,487
Other operating charges		(84)	274
OPERATING PROFIT	4	1,665	179
Interest receivable and similar income	7	207	199
Interest payable and similar charges	8	(37)	(35)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,835	343
Taxation	9	101	(158)
PROFIT FOR THE YEAR		1,734	501
Dividend – final proposed		3,500	-
(TRANSFER FROM RESERVES)/NET PROFIT RETAINED FOR THE FINANCIAL YEAR		(1,766)	501

STATEMENT OF RETAINED PROFITS

At 1 January 1998	(534)
Profit for the year	1,734
	1,200
Dividend	3,500
At 31 December 1998	(2,300)

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of company of £1,734,000 in the year ended 31 December 1998, and £501,000 in the year ended 31 December 1997.

BALANCE SHEET
As at 31 December 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	10	241	209
		241	209
CURRENT ASSETS			
Stocks	11	2,592	1,167
Debtors	12	7,714	11,234
Cash at bank and in hand		6,305	4,772
		16,611	17,173
CREDITORS: amounts falling due within one year	13	10,377	9,141
NET CURRENT ASSETS		6,234	8,032
TOTAL ASSETS LESS CURRENT LIABILITIES		6,475	8,241
CAPITAL AND RESERVES			
Called-up share capital	14&15	-	-
Capital contribution	15	-	8,775
Profit and loss account	15	6,475	(534)
		6,475	8,241

S. L. Ewart [signature] } Directors

A. T. Taylor Ann J. Taylor }

Date: 8 October 1999

NOTES TO THE ACCOUNTS
For the Year Ended 31 December 1998

1. ACCOUNTING POLICIES

(a) Accounting convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Depreciation
Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life as follows:

Plant and equipment	5 years
Computer equipment	4 years

(c) Stocks
Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items.

(d) Deferred taxation
Provision is made for deferred taxation, using the liability method, on all timing differences, which are expected to reverse in the future.

(e) Foreign currencies
Assets, liabilities, revenues and costs, denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date are translated at the year-end rates of exchange. All exchange differences thus arising are reported as part of the results for the year.

(f) Pensions
Contributions made in the period to the group pension scheme are charged to profit so as to spread the cost of pensions over employees' working lives with the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuation, are amortised over the average expected remaining working lives of employees in proportion tot heir expected payroll cost. Differences between amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

(g) Cash flow
A consolidated cash flow statement is produced by the group's ultimate parent undertaking, The Coca-Cola Company, and under FRS 1 (revised), Coca-Cola International Sales Limited is not required to prepare a cash flow statement.

NOTES TO THE ACCOUNTS (contd.)

2. TURNOVER

Turnover comprises the invoiced price of goods and services supplied by the company stated net of value added tax. The whole of the company's turnover arises from the promotion and sale of soft drinks and strategic supply services.

An analysis of turnover by geographical market is given below:

	1998 £000	1997 £000
United Kingdom	24,078	11,283
Other European countries	9,204	13,241
Eastern Bloc and Scandinavia	4,735	6,733
Africa	2,783	2,251
Caribbean	3,542	2,564
Asia	264	4
	44,606	36,076

3. DISTRIBUTION COSTS

Distribution costs comprise of freight and outward charges only.

4. OPERATING PROFIT

Operating profit is stated after charging:

	1998 £000	1997 £000
Depreciation of owned fixed assets	88	96
Auditors remuneration – audit services	20	17

5. DIRECTORS' EMOLUMENTS

The majority of directors who are engaged in the company's business are employed by a fellow subsidiary undertaking. The emoluments of directors who are also directors of the fellow subsidiary undertaking are included in the accounts of the fellow subsidiary undertaking in which they are paid. The remaining directors' emoluments are detailed below:

NOTES TO THE ACCOUNTS (contd.)

An administration fee amounting to £816,000 (1997 - £836,000) was charged by the fellow subsidiary undertaking in respect of administration and occupation costs, which includes the directors' emoluments which are not separately identifiable.

	1998 £000	1997 £000
Total emoluments (including pension contributions)	57	34

The company has made contributions on behalf of the directors into a defined benefits scheme during the year.

6. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	563	487
Social security costs	45	41
Other pension costs	52	41
	660	569

The average number of persons employed by the company during the year, including directors, was as follows:

	1998 No.	1997 No.
Administration	14	15

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £000	1997 £000
Interest income	191	172
Rental income	10	14
Fees and commission income	6	13
	207	199

NOTES TO THE ACCOUNTS (contd.)

8. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £000	1997 £000
Bank loans and overdraft	-	1
Bank charges	35	30
Fees and commission expense	2	4
	37	35

9. TAXATION

UK corporation tax is provided at the rate of 31% (1997 – 31.49%). The taxation charge/(credit) for the year is as follows:

	1998 £000	1997 £000
Corporation tax charge on profit for the year	575	102
Reversal of prior year tax provision	(474)	(260)
	101	(158)

10. TANGIBLE FIXED ASSETS

	Computers £000	Plant & Machinery £000	Total £000
Cost:			
At 1 January 1998	139	411	550
Additions	-	120	120
At 31 December 1998	139	531	670
Depreciation:			
At 1 January 1998	71	270	341
Charge for the year	35	53	88
At 31 December 1998	106	323	429
Net Book Value:			
At 1 January 1998	68	141	209
At 31 December 1998	33	208	241

NOTES TO THE ACCOUNTS (contd.)

11. STOCKS

	1998 £000	1997 £000
Finished product	1,108	884
Ingredients	1,393	159
Packaging materials	91	124
	2,592	1,167

In the opinion of the directors, the difference between purchase price or production cost of stocks and their replacement cost is not material. Stocks are held in consignment at independent toll canners and at various warehouses in the United Kingdom.

12. DEBTORS

	1998 £000	1997 £000
Due within one year:		
Trade debtors	4,725	3,928
Loan to parent undertaking	1,500	5,500
Amounts owed by group undertakings	746	1,002
Other debtors	117	142
Prepayments and accrued income	626	662
	7,714	11,234

13. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Bank overdraft	-	173
Trade creditors	4,107	3,018
Amounts due to parent undertaking	-	4,000
Amounts due to group undertakings	1,170	505
Other creditors and accruals	1,025	869
Corporation tax payable and other taxes	575	576
Dividend payable	3,500	-
	10,377	9,141

NOTES TO THE ACCOUNTS (contd.)

14. SHARE CAPITAL

	1998	1997
Number of ordinary shares	100	100
Ordinary shares of £1 each:	£	£
Authorised	100	100
Allotted, called up and fully paid	100	100

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £000	Capital Contributions £000	Profit & Loss Account £000	Total Shareholders Funds £000
At 1 January 1997	-	8,775	(1,035)	7,740
Profit for the year	-	-	501	501
At 31 December 1997	-	8,775	(534)	8,241
Profit for the year	-	-	1,734	1,734
Dividend	-	-	(3,500)	(3,500)
Transfer	-	(8,755)	8,775	-
At 31 December 1998	-	-	6,475	6,475

16. PENSION COSTS

The company operates within a group pension scheme, which is a defined benefit scheme. It is funded by the payment of contributions to a pension fund management company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. In accordance with the trust deed, the scheme is subject to a full revaluation every three years.

The most recent formal actuarial valuation was performed at 1 January 1997. The assumptions, which have the most significant effect on the results of the valuation, are stated below:

Investment return	9% p.a.
Remuneration growth	7% p.a.

NOTES TO THE ACCOUNTS (contd.)

The pension charge for the year was £52,000 (1997 - £41,000).

Details of actuarial valuation of the group scheme are included in the accounts of the parent undertaking, Coca-Cola Holdings (United Kingdom) Limited.

17. CONTINGENT LIABILITIES

(a) The company has entered into unlimited cross guarantees with the other UK group companies.

(b) The ultimate parent undertaking, The Coca-Cola Company ("TCCC"), grants certain senior executives options to buy its shares. When an option is exercised, TCCC makes a charge to the group company employing the holder of the option. Owing to the mobility of executives within the group, uncertainty as to the date on which they will exercise their options, and the fluctuation of the share price, it is not possible to ascertain with certainty the liability which the company would incur on exercise of all options held by current employees. Accordingly, no provision has been set up in these accounts. However, had they been both exercisable and exercised at the share price prevailing on 31 December 1998, the liability would have been £58,000.

18. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member, is The Coca-Cola Company, incorporated in Delaware, USA, and the parent undertaking of the smallest such group is Cola-Cola Holdings (United Kingdom) Limited, registered in England and Wales. Copies of both companies' accounts can be obtained from this company's registered office.

19. RELATED PARTY TRANSACTIONS

As the company is a wholly-owned subsidiary of Coca-Cola Holdings (United Kingdom) Limited, a company registered in England & Wales, which prepares consolidated financial statements, the company, pursuant to paragraph 17 of FRS8 "Related Party Transactions," has not included details of transactions with other companies which are subsidiaries of the Coca-Cola group

There are no other related party transactions.