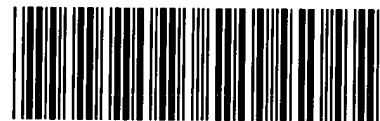


Costa Express Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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COSTA EXPRESS LIMITED

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COSTA EXPRESS LIMITED

Company Information

Directors	N Lake N Orrin R Willan S Martin
Company secretary	S Savjani
Registered office	3 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR
Registered number	03145187
Statutory auditor	Ernst & Young LLP 400 Capability Green, Luton, Bedfordshire, LU1 3LU

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Fair review of the business

The profit for the year, after taxation, is £39,564,000 (43 weeks to 31 December 2019: £37,641,000).

The principal activity of the Company during the year was the sale of espresso based coffee and other beverages from branded self-serve machines. The Company also sells Costa Express coffee machines to international Costa entities either through direct channels or through the Coca-Cola network. The Company has continued to innovate in respect of its coffee vending technology and has continued to invest into its sales and marketing and customer service departments through the year. The Company continued to trade well during the lockdowns within the UK and is well placed to move into its next level of growth with exciting global plans, capitalising on The Coca-Cola Company's strength and complimentary expertise in vending.

Investment into fixed assets totalled £25.9m (2019: £26.5m). The Company's continued focus on innovation and operational support helped support a 23% increase in turnover to £264,734,000 (43 weeks ended 31 December 2019: £214,565,000).

The Company's key financial and other performance indicators during the year were as follows:

		Period ended 31 December 2020 £'000	43 weeks ended 31 December 2019 £'000	Change
Turnover (continuing operations)		264,734	214,565	23 %
Operating profit		46,306	43,936	5 %
Net new installations	Units	837	1,149	(27) %
Total machines	Units	10,274	9,437	9 %

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties for the Costa Group

Cyber and data security

Risk: cyber and data security remains a key risk as it could reduce the effectiveness of systems or result in a loss of data. This in turn could result in loss of income and/or reputational damage.

Mitigation: A series of IT security controls is in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place improving security and data controls. Specifically, during the year network security has been enhanced and a framework of industry-recognised security standards is being implemented.

Brand perception

Risk: a long-term decline in the customer perception of the Company's brand would impact its ability to grow and achieve appropriate levels of return.

Mitigation: To ensure the Company maintains and improves the strength of its brand, it continually completes market research and monitors opinion with focus groups and net guest scores to ensure the right levels of investment and innovation in customer offerings are maintained. The rate and level of investment in the refurbishments of Costa stores is also monitored as well as net promoter scores.

Change Management

Risk: the Company's ability to execute the significant volume of change.

Mitigation: The Costa Group has embarked on an extensive programme of change to replace legacy finance, point of sale, customer relationship management and human resource systems, whilst also delivering an ongoing efficiency programme and upgrading digital capability and customer propositions enabling Costa to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, internal project delivery expertise and capability has been significantly enhanced and a robust assurance management framework has been put in place coupled with regular reporting to the Executive Committee.

Political and economic climate impact

Risk: uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending and inflation pressure impacting growth plans.

Mitigation: There is a rigorous business planning process in place which considers many scenarios with appropriate responses. The Company also has strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return.

Staff engagement and retention

Risk: failure to maintain staff engagement and retention in a tightening labour market.

Mitigation: The success of the Company's businesses would not be possible without the passion and commitment of its teams. Team engagement is fundamental. This is monitored closely through the annual engagement survey 'Costa and Me', the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions reviewed and agreed. Human resource systems are also being upgraded to provide greater insight. Team retention is a key component of the Company's balanced scorecard.

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties for the Costa Group (continued)

Roastery

Risk: there is an inability to operate the Costa roastery for more than one week.

Mitigation: The workforce at the roastery is long standing and experienced thereby mitigating this risk and use is made of an independent risk engineering report. There is also a contingency plan which includes roasting coffee elsewhere if required which is regularly tested in addition to holding sufficient stocks of roasted beans.

Climate Change

Risk: Climate change may impact coffee bean prices.

Mitigation: Costa recognises that to have a sustainable coffee business we need to invest in a sustainable coffee supply, ensuring that our coffee is grown in a way that protects the environment and allows the communities growing our coffee to thrive. We only buy Rainforest Alliance certified coffee. The Rainforest Alliance is a non-profit organisation, working to create a future in which people and nature thrive in harmony. By working together with diverse stakeholders including farmers, businesses, consumers and more, the Rainforest Alliance is building an alliance to improve livelihoods, protect biodiversity, amplify the voices of farmers and forest communities, and help them mitigate and adapt to climate change.

In July 2020 Costa joined the British Retail Consortium's Climate Roadmap as a founding signatory. This roadmap includes a commitment to tackle climate change that will accelerate the UK's progress to becoming Net Zero, ahead of the Government's 2050 target.

Brexit

Risk: Brexit carries the increased risk of disruption to coffee exports, raw material imports, the availability of labour and in addition, an increased financial exposure on foreign exchange and duty tariffs.

Mitigation: The risks being identified and mitigated are split between macro and micro-economics. The macro-economic risks relate to consumer attitude and behaviour, whilst micro-economic risks are the export supply of roasted coffee, raw material imports, the hiring and retention of labour, plus financial related risks around foreign exchange and duty tariffs. Contingency plans are firmly in place and continue to evolve these with our major suppliers to help maintain the supply of key products lines and alternatives. The Company continues to monitor these risks.

Coronavirus (COVID-19)

Risk: From March 2020 the COVID-19 global pandemic arose in the UK and introduced significant uncertainty for the UK economy.

Mitigation: COVID-19 will have a significant impact on the Costa Group finances during 2020 especially during Q1 where the UK Retail business was most impacted due to its size and cost base.

The Company's Directors have updated the plans for 2020 based on the impact of COVID-19 and have built a strategy for reset and growth in three phases:

- Managing the crisis - focusing on looking after our people and ruthlessly prioritising spend;
- Resetting to emerge stronger - preparing to win in our core markets and support winning propositions such as Costa Express, Proud to Serve and Ready to Drink;
- Invest in growth for the future - investing in initiatives that allow us to stay ahead of long-term trends and for future international launches.

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties for the Costa Group (continued)

Strong steps have been taken to protect the business and manage cash through the crisis to ensure the business can come out of the crisis stronger and ready to grow in the future. The following areas have been identified as priorities:

- Prioritise the health and wellbeing of our people, customers and consumers. The Company ensuring that it follows government guidelines, delivered a rapid response to close stores (97% of the UK stores were initially closed) and set up CostaExpress to continue to operate safely. The Company is monitoring the situation and following the Government guidelines to reassure its customers and employees on any decisions taken to re-open shops. The business has offered goodwill gestures to support the national efforts including free coffee to medical teams and care packages to key workers.
- Ruthless focus on discretionary spend and thoughtful access to government support where necessary.
- Must win in the UK Retail and Costa Express's footfall returns to recover sales at pace. The Company is focusing on changes in customer sentiment and needs and has provided contactless drive-thru, door to door delivery during the lockdowns in addition to providing contactless Express ordering through apps.
- Review retail basics and franchise opportunities.
- Continue to support Costa Express, Proud to Serve, Ready to Drink and At Home launches.
- Invest in initiatives that allow the business to stay ahead of long-term changes in consumer trends.
- Plan for launches in key international markets to ensure we maximise in 2021.
- Continue 'Must Do' technology programmes.

The directors receive regular updates on matters relating to its workforce, including feedback from employee engagement surveys, live virtual events which include question and answer sessions, feedback forums and health and safety reviews. For 2020, a primary focus was around keeping connected during the COVID crisis, checking in on how teams were feeling and asking for their input into future ways of working.

Approved by the Board on 01 October 2021 and signed on its behalf by:



.....
R Willan
Director

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172 statement

The board of directors of the Company have individually and collectively acted to promote the success of the Company for the benefit of its shareholders and other stakeholders as defined in S172 of the Companies Act 2006.

In doing this, the directors have specifically considered:

- the long-term consequences of any decisions;
- the interests and wellbeing of the Company's employees;
- the need to develop and maintain longstanding and collaborative relationships with suppliers, customers and other key trading partners;
- the impact of business operations on the community and the environment;
- the reputation of the Company, known for its high standard of business conduct; and
- the need to act fairly between shareholders and other capital providers.

The following summarises how the directors have performed their duties during the period:-Section 172 statement

The Company is an indirect subsidiary of Costa Limited, which holds title to the Costa brand. The Company utilises the Costa brand in the sale of espresso based coffee and other beverages from self-serve machines.

The following summarises how the directors of the Company have performed their duties during the period:-

Shareholders and other capital providers

Following the 3 January 2019 acquisition of the Costa group by European Refreshments, a wholly owned subsidiary of The Coca-Cola Company, the directors have integrated the strategic, planning and corporate governance practices of the Company with those of The Coca-Cola Company and its wider group. The directors are excited about the opportunities presented by this and the positive impacts being forecasted for all stakeholders.

The Company has no long-term debt with other capital providers.

Employees

The directors receive regular updates on matters relating to its workforce, including feedback from employee engagement surveys and health and safety reviews. These are taken into consideration when considering organisational changes, employee remuneration and rewards and capital investments in operational and support service infrastructure.

Costa & Me, our communication and engagement framework which launched earlier this year, will also add to those activities, and create even more listening opportunities for our teams to get involved and shape business decisions. Team views and feedback are taken into consideration when considering organisational changes, employee remuneration and rewards and capital investments in store, operational and support service infrastructure. We have robust governance in place over all employee remuneration and reward matters, which are overseen by the Costa Remuneration Committee. There were no significant changes to remuneration or incentive structures during 2020.

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172 statement (continued)

Employees continued

Our Costa Values of Passion, Courage, Warmth and Trust and the required behaviour are reinforced throughout the Group through our recognition programmes, training - including our code of conduct, and leadership behaviours.

The directors advocate passionately for diversity in the Company's workforce, in the knowledge that this diversity helps the business to thrive in the communities it serves.

Directors review diversity reporting for leadership roles including gender and ethnicity balance in shortlists and offers. This is something we are looking to extend to the wider workforce in 2021.

Supply Chain agreements

During the period to support international growth plans the Costa group established 3rd part party roasting, manufacturing and warehousing relationships to service its growing international customer base and to mitigate Brexit risks.

Customers and Suppliers

As the operator of a global brand, the views of the Company's end consumers are very important. Consumer views on our brand, product quality, product delivery and value for money are regularly assessed by the directors, and are considered in product and supply chain planning, loyalty programs, digital offerings and other areas.

Suppliers are regularly and robustly assessed for their standards and compliance with Costa Coffee supplier guiding principles, the details of which can be found in the responsible sourcing section of the Costa brand website www.costa.co.uk.

Community and environment

The directors have implemented sustainability practices, planning and initiatives that operate with the guiding principle that to inspire the world to love great coffee, the business must respect the planet and support communities behind the coffee.

The Costa brand is a member of the Rainforest Alliance, has established the Costa Foundation and is working on numerous recycling, waste management and carbon footprint reduction initiatives, details of which can be found in the Behind the Beans section of the Costa brand website www.costa.co.uk.

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172 statement (continued)

Key Decisions

The key decisions made during the period related principally to the approval of capital expenditure, entering into contracts for IT services and customer agreements.

Capital Investment

Briggo Inc., a US company operating automated coffee kiosks capable of remote ordering, was purchased by TCCC on 1st May 2020 for \$3.25m. The acquired business consisted of two parts;

- 1) Automated coffee kiosks that remained operational in the US market which were retained as assets in TCCC
- 2) Acquisition of the IP which was transferred to Costa Express Limited for £1.5m

Capital Expenditure

During the period the Company invested £38.2m in new Costa Express machines, either to be placed with customers during the period or in the next financial year, and in relation to research and development for its vending machines. Of the £38.2m in capital expenditure, £25.9m related to the UK market.

Finance ERP

The group invested £13m in a finance ERP in 2020 by transforming finance process and capability across accounts, purchasing, and invoicing away from legacy systems and services to modern, automated Microsoft Dynamics solution. Costa is now running on a modern, cloud-based solution globally supported by Microsoft and in line with Coca-Cola strategy and standards. The platform is able to support growth, scale and international ambitions.

IT Service Contracts

During the period the group entered a new long-term contract for the provision of IT services following its separation from the systems operated by its former parent company Whitbread Group plc. These leveraged the broader Coca-Cola system vendor relationships specifically with Microsoft, Adobe, Akamai and Amazon. The group also entered a long-term contract for its new People Human Capital Management System with Ceridian Dayforce.

Customer Agreements

During the period the Company renewed a number of significant customer agreements with long established partners along with a number of new customer agreements in line with our strategy for growth.

COSTA EXPRESS LIMITED

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year to 31 December 2020.

Principal activity

The principal activity of the Company during the year was the sale of espresso-based coffee and its other beverages from branded self-serve machines. The Company has continued to innovate in respect of its coffee vending technology and has continued to invest into its sales and marketing and customer service departments through the year. The Company is well placed to move into its next level of growth with exciting global plans and the potential to double in size, capitalising on Coca-Cola's strength and complimentary expertise in vending.

Directors of the Company

The directors who held office during the year are as follows:

N Orrin

S Martin

The following director resigned during the year:

S Highfield (resigned on 31 August 2020)

The following directors were appointed after the year end:

N Lake (appointed 19 March 2021)

R Willan (appointed 19 March 2021)

The following secretaries were appointed or resigned after the year end:

S Savjani (appointed 23 April 2021)

R Fairhurst (resigned 14 May 2021)

Dividends

The directors recommend a final dividend payment of £nil be made in respect of the financial year ended 31 December 2020. (31 December 2019: £nil).

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

Price risk is the risk that the movement in the price of key materials will adversely affect the profitability of the business. The Company has no major exposure to price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge an obligation. The Company's policies are aimed at minimizing such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The Company mitigates cash flow risk through various measures including regularly updating business plans, conducting market research, tighter debt control and conducting cash flow analysis and forecasts.

COSTA EXPRESS LIMITED

Directors' Report for the Year Ended 31 December 2020 (continued)

Employment of disabled persons

All employee services are provided to the Company by Costa Limited. For further information on the Company's policy on the employment of disabled persons please refer to the accounts of Costa Limited for the year ended 31 December 2020 which are available from Costa House, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5YG.

Employee involvement

All employee services are provided to the Company by Costa Limited. For further information on employee involvement please refer to the accounts of Costa Limited for the year ended 31 December 2020 which are available from Costa House, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5YG.

Future developments

No significant future developments are expected.

Events after the balance sheet date

There have been no significant events occurring after the balance sheet date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Going concern

The Directors have adopted the going concern basis for preparation of the financial statements of the Company and its UK domiciled subsidiaries for the financial period ended 31 December 2020.

To support the Directors' assessment of going concern, the Company has received a parental letter of support from Costa Limited. This confirms that Costa Limited will support the company as necessary to meet its liabilities as they fall due and has the ability to do so for the period to 31 December 2022. The Costa Group has a cash-pooling arrangement; as such, the going-concern assessment has been conducted on a Group basis. In forming their view on going concern, the Directors considered the Company's and Group strategic plan, balance sheet position, agreed financing and forward-looking forecasts upto the end of 2022.

The Directors stress tested the assumptions that fed into this exercise, considering the impacts of various risks occurring in isolation and in combination, as well as various risk mitigating actions that could be taken. The Directors in particular considered a number of potential impacts in respect of Covid-19 and a number of different Covid-19 recovery timeframes.

In each of the stress test scenarios modelled, the Company remained within its agreed financing levels. In some severe but possible scenarios modelled, the Company remained within its agreed financing only if appropriate mitigating capital management actions were taken. These included reductions in non-essential capital expenditure and discretionary spend. Reverse stress testing indicated to the Directors that the Company would only need to seek additional financing in a highly unlikely scenario, where multiple improbable events occurred simultaneously or in short succession.

The review supported the Directors view that the Company and its UK domiciled subsidiaries will be able to continue to operate and meet their liabilities as they fall due for the period to 31 December 2022.

COSTA EXPRESS LIMITED

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern (continued)

Sensitivity Analysis

Management have produced cashflows based off the Group budget position through to 31st December 2022. Various sensitivity analyses were performed on the cash flow, including a worst-case scenario to determine the periods in which the group will experience a cash deficit should performance be unfavourable to the plan. The sensitivities have been performed taking into consideration full discretionary spend and reduced discretionary spend. The scenarios considered are;

1. Base - deliver Sales and Operating Income to base case scenario to 31 December 2022
2. 90% Sales/COGs - deliver sales 10% below plan, all costs and Capex in line with base .
3. 80% Sales/COGs - deliver sales 20% below plan, all costs and Capex in line with base
4. 70% Sales/COGs, 50% DME/Capex - deliver sales 30% below plan, marketing spend and Capex reduced by 50% with all other operating costs in line with base. (Worst Case Scenario)

Under the worst-case scenario 4 above, if sales were below target by 30%, then decisions would be taken to reduce investment and discretionary spend in capex and marketing by 50% respectively. The reduction in capex and marketing spend would impact longer term growth initiatives but wouldn't impact on short term trading. These decisions could realistically be taken with 3 months' notice based on lead times of machines and marketing campaigns.

The scenarios assumed that no government support schemes would be available (such as furlough, rates relief, 'Eat out to help out' or any other support), which would improve the cash position. All operating expenses are assumed to remain in line with the base scenario. In each of the four scenarios a positive cash balance is maintained throughout each period.

Should it be required, the group could seek external debt, however, at present management have no plans or requirements to do so. Costa Limited currently has no external debt outside of The Coca-Cola Company group. The UK entity has no internal debt outside of normal Intercompany trading.

After taking into consideration the circumstances described above, the financial statements have been prepared on the assumption that the Group is a going concern.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

COSTA EXPRESS LIMITED

Directors' Report for the Year Ended 31 December 2020 (continued)

Streamlined Energy and Carbon Reporting (SECR)

The Company has gathered data regarding scope one and scope two carbon emissions (as defined by the GHG Protocol) for the financial year spanning 1st January 2020 to 31st December 2020 from its UK operations for inclusion in Company Reporting (2020) as defined by the requirements of the Streamlined Energy and Carbon Reporting (SECR) legislation.

The combined scope one and scope two carbon emissions for the period was recorded at 534 tCO₂e. Since this is the first year of carbon footprint calculation it is not possible to publish a year-on-year change at this time.

The intensity rate for the period is calculated at 0.002 tCO₂e per £100,000 of revenue from the company group operations.

Our Greenhouse gas emissions and energy use data for the year 1 January 2020 to 31 December 2020

Energy consumption used to calculate emissions (kWh) - UK operations	2,047,158
Scope 1 emissions in metric tonnes (tCO ₂ e)	435
Scope 2 emissions in metric tonnes (tCO ₂ e)	100
Total gross emissions in metric tonnes (tCO₂e)	535
Intensity ratio (tCO ₂ e) per £100,000 of turnover	0.002
Methodology	GHG Protocol

During the reporting period considerable operational changes have been forced upon the retail sector due to the global pandemic regardless of this the company considers its social responsibility and environmental impact of high importance.

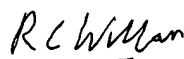
Directors' liabilities

A qualifying indemnity provision (as defined in section 236(1) of the Companies Act 2006) is in force for the benefit of the directors and remains in place at the date of this report.

Reappointment of auditor

The Company reviews and makes recommendations each year in accordance with section 485 of the Companies Act 2006 with regard to the appointment of external auditors. The auditors, Ernst & Young Chartered Accountants, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed and approved at a meeting of the board of directors.

Approved by the Board on 01 October 2021 and signed on its behalf by:



.....
R. Willan
Director

COSTA EXPRESS LIMITED

Statement of Directors' Responsibilities

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA EXPRESS LIMITED

Opinion

We have audited the financial statements of Costa Express Limited for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 31 December 2022, 15 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA EXPRESS LIMITED (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA EXPRESS LIMITED (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are; FRS101, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.

- We understand how Costa Express Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understand potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed.
 - Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
 - Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities.
 - Reading minutes of meetings of those charged with governance.
 - Enquiry of management over reports to whistleblowing hotlines.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness agreeing back to source documentation or independent confirmations.
 - Using data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk.
 - Evaluating the business rationale of significant transactions outside the normal course of business, and;
 - Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA EXPRESS LIMITED
(continued)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Joanne Mason (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 4 October 2021

COSTA EXPRESS LIMITED**Income Statement for the Year Ended 31 December 2020**

		Year ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
	Note		
Revenue	4	264,734	214,565
Operating costs		<u>(218,428)</u>	<u>(170,629)</u>
Operating profit	5	46,306	43,936
Finance income	6	9	39
Finance costs	7	<u>(42)</u>	<u>(33)</u>
Profit before tax		46,273	43,942
Tax expense	10	<u>(6,709)</u>	<u>(6,301)</u>
Profit for the year		<u>39,564</u>	<u>37,641</u>

The above results were derived from continuing operations.

There are no items to be included in the Statement of Comprehensive Income and accordingly a separate Statement of Comprehensive Income has not been presented.

The notes on pages 21 to 40 form an integral part of these financial statements.

COSTA EXPRESS LIMITED**Balance Sheet as at 31 December 2020**

		31 December 2020	31 December 2019
	Note	£ 000	£ 000
Assets			
Non-current assets			
Property, plant and equipment	12	62,441	64,161
Right-of-use assets	13	2,122	1,861
Intangible assets	11	15,856	11,712
Deferred tax assets	10	3,040	2,391
		<u>83,459</u>	<u>80,125</u>
Current assets			
Inventories	15	9,087	10,107
Trade and other receivables	16	163,630	125,769
Cash and cash equivalents		4,296	6,192
		<u>177,013</u>	<u>142,068</u>
Total assets		<u>260,472</u>	<u>222,193</u>
Current liabilities			
Trade and other payables	17	(19,179)	(20,679)
Income tax liability	10	(6,501)	(6,531)
		<u>(25,680)</u>	<u>(27,210)</u>
Non-current liabilities			
Long term lease liabilities	14	(1,849)	(1,604)
Net assets		<u>232,943</u>	<u>193,379</u>
Equity			
Called-up share capital	18	72	72
Share premium reserve		4,652	4,652
Profit and loss account		228,219	188,655
Total equity		<u>232,943</u>	<u>193,379</u>

Approved by the Board on 01 October 2021 and signed on its behalf by:



.....
R. Willan
Director
Company number
03145187

The notes on pages 21 to 40 form an integral part of these financial statements.

COSTA EXPRESS LIMITED**Statement of Changes in Equity for the Year Ended 31 December 2020**

	Called-up share capital	Share premium reserve	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 March 2019	72	4,652	151,014	155,738
Profit for the year	-	-	37,641	37,641
Total comprehensive income	-	-	37,641	37,641
At 31 December 2019	<u>72</u>	<u>4,652</u>	<u>188,655</u>	<u>193,379</u>

	Called-up share capital	Share premium Reserve	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2020	72	4,652	188,655	193,379
Profit for the year	-	-	39,564	39,564
Total comprehensive income	-	-	39,564	39,564
At 31 December 2020	<u>72</u>	<u>4,652</u>	<u>228,219</u>	<u>232,943</u>

The notes on pages 21 to 40 form an integral part of these financial statements.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information and basis for preparation

The Company is a private company limited by share capital incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The address of its registered office is:

3 Knaves Beech Business Centre,
Davies Way,
Loudwater,
High Wycombe,
Buckinghamshire,
HP10 9QR

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). The financial statements have therefore been prepared in accordance with FRS 101.

The Company claims the exemption from preparing group financial statements under section 400 of the Companies Act 2006 as it is included in the group financial statements of The Coca-Cola Company, incorporated in Delaware, United States of America. These financial statements present information about the Company as an individual undertaking and not as a group.

The financial year represents 52 weeks to 31 December 2020 (prior financial period: 43 weeks to 31 December 2019).

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

1 General information and basis for preparation (continued)

- (j) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total; and
- (k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Going concern

The Directors have adopted the going concern basis for preparation of the financial statements of the Company and its UK domiciled subsidiaries for the financial period ended 31 December 2020.

To support the Directors' assessment of going concern, the Company has received a parental letter of support from Costa Limited. This confirms that Costa Limited will support the company as necessary to meet its liabilities as they fall due and has the ability to do so for the period to 31 December 2022. The Costa Group has a cash-pooling arrangement; as such, the going-concern assessment has been conducted on a Group basis. In forming their view on going concern, the Directors considered the Company's and Group strategic plan, balance sheet position, agreed financing and forward-looking forecasts upto the end of 2022.

The Directors stress tested the assumptions that fed into this exercise, considering the impacts of various risks occurring in isolation and in combination, as well as various risk mitigating actions that could be taken. The Directors in particular considered a number of potential impacts in respect of Covid-19 and a number of different Covid-19 recovery timeframes.

In each of the stress test scenarios modelled, the Company remained within its agreed financing levels. In some severe but possible scenarios modelled, the Company remained within its agreed financing only if appropriate mitigating capital management actions were taken. These included reductions in non-essential capital expenditure and discretionary spend. Reverse stress testing indicated to the Directors that the Company would only need to seek additional financing in a highly unlikely scenario, where multiple improbable events occurred simultaneously or in short succession.

The review supported the Directors view that the Company and its UK domiciled subsidiaries will be able to continue to operate and meet their liabilities as they fall due for the period to 31 December 2022.

Sensitivity Analysis

Management have produced cashflows based off the Group budget position through to 31st December 2022. Various sensitivity analyses were performed on the cash flow, including a worst-case scenario to determine the periods in which the group will experience a cash deficit should performance be unfavourable to the plan. The sensitivities have been performed taking into consideration full discretionary spend and reduced discretionary spend. The scenarios considered are;

1. Base - deliver Sales and Operating Income to base case scenario to 31 December 2022
2. 90% Sales/COGs - deliver sales 10% below plan, all costs and Capex in line with base
3. 80% Sales/COGs - deliver sales 20% below plan, all costs and Capex in line with base
4. 70% Sales/COGs, 50% DME/Capex - deliver sales 30% below plan, marketing spend and Capex reduced by 50% with all other operating costs in line with base. (Worst Case Scenario)

Under the worst-case scenario 4 above, if sales were below target by 30%, then decisions would be taken to reduce investment and discretionary spend in capex and marketing by 50% respectively. The reduction in capex and marketing spend would impact longer term growth initiatives but wouldn't impact on short term trading. These decisions could realistically be taken with 3 months' notice based on lead times of machines and marketing campaigns.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

Going concern (continued)

The scenarios assumed that no government support schemes would be available (such as furlough, rates relief, 'Eat out to help out' or any other support), which would improve the cash position. All operating expenses are assumed to remain in line with the base scenario. In each of the four scenarios a positive cash balance is maintained throughout each period.

Should it be required, the group could seek external debt, however, at present management have no plans or requirements to do so. Costa Limited currently has no external debt outside of The Coca-Cola Company group. The UK entity has no internal debt outside of normal Intercompany trading.

After taking into consideration the circumstances described above, the financial statements have been prepared on the assumption that the Group is a going concern.

2 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

Revenue recognition

Recognition

The Company earns revenue through the sale of espresso based coffee and other beverages from branded self-service machines. The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

Sale of food and beverage

The contract is established when the customer orders the drink item and the performance obligation is the provision of drinks by the branded self-service machines. The performance obligation is satisfied when the customer receives the drink, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Finance income and finance costs

Finance income is recognised as the interest accrues, using the effective interest method.

Finance costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Income tax

The income tax charge represents both the income tax payable, based on profit for the year and deferred income tax.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Company's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the values of property, plant and equipment is charged to the income statement.

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the income statement.

Payments made on entering into, or acquiring, leaseholds that are accounted for as operating leases are amortised on a straight-line basis over the lease term.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as shown below and charged through profit and loss. The residual values are reviewed annually.

Asset class	Depreciation method and rate
Leasehold buildings	over the period of the lease
Plant and equipment	4 - 7 years

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is calculated on a straight-line basis over the estimated life of the asset and charged to profit and loss as follows:

Asset class	Amortisation method and rate
Internally generated software development costs	Overestimated useful life of five years
Trademarks	Indefinite useful life hence not amortised
Internally generated computer software costs	Over three to six years

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less.

Stocks

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Leases

Definition

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date a lessee recognises a right-of-use asset and a lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Initial recognition and measurement

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Initial recognition and measurement (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are separately identifiable on the statement of financial position, the detail of which is in note 13.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

IFRS 16 Leases - COVID-19-Related Rent Concessions

The COVID-19-Related Rent Concessions amendment to IFRS 16 Leases was adopted by the IASB on 28 May 2020. The amendment applies to accounting periods from 1 January 2020. The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

The revised consideration is substantially the same, or less than, the consideration prior to the change; The concessions affect only payments originally due on or before 30 June 2021; and
There is no substantive change to other terms and conditions of the lease.

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications.

During the period, the Company has agreed rent concessions in the form of rent forgiveness where the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future. The Company has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the Income Statement.

Impairment of non-financial assets

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped, for impairment assessment purposes, at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists, or when annual impairment testing for an asset group is required, the Company makes an estimate of the recoverable amount.

Property, plant and equipment

Express machines within Express Limited are treated as one CGU. For the year ended 31 December 2020 Costa Express Limited continues to be a profit-making business with income generated predominantly by its express machines, therefore there are no indicators of impairment.

Intangible assets

Each individual intangible asset is reviewed for indicators of impairment. Any intangible asset with a NBV less than £0.5m that is still in use is deemed to have no indicators of impairment, if the asset is no longer in use then it is fully impaired. Intangible assets greater than £0.5m are individually reviewed using the following criterion for indicators of impairment:

- assessment of market value declines
- negative changes in technology, markets, economy, or laws.
- increase in market interest rates.
- net assets of the company are higher than market capitalisation.

At the period end date there were no indicators of impairment.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cashflows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company or economic conditions that correlate with defaults in the Company

COSTA EXPRESS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

Estimation uncertainty relates to assumptions about the future and other sources of estimation uncertainty. Judgements relate to something other than assumptions about the future or making estimates and to the application of accounting standards and the Group's accounting policies.

Determining the lease term of contracts with renewal and termination options

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if reasonably certain not to be exercised

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Impairment

Impairment tests of property, plant and equipment, intangible assets, right of use assets and amounts owed by related parties are conducted each financial period. In these impairment tests, the carrying value of assets are compared with estimates of their value in use or recoverable amount. In forming these valuation estimates assumptions are applied, in particular in assessing future cash flow generation from value in use, discounting those future cash flow estimates and FVLCTS.

The judgements and estimates underlying impairment testing have resulted in property, plant and equipment being impaired by £Nil in the period (43 weeks ended 31 December 2019: £nil); intangible assets being impaired by £Nil in the period (43 weeks ended 31 December 2019: £nil); right of use assets being impaired by £Nil in the period (43 weeks ended 31 December 2019: £nil); and provisions against amounts owed by related parties of £1,012,000 being recognised in the period (43 weeks ended 31 December 2019: £nil).

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****4 Turnover**

The analysis of the Company's revenue for the year from continuing operations is as follows:

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
Sale of goods	263,277	213,129
Rendering of services	683	596
Other revenue	774	840
	<u>264,734</u>	<u>214,565</u>

Revenue generated in the United Kingdom was £249,712,000 (31 December 2019: £204,449,000) and non-UK revenue was £15,022,000 (31 December 2019: £10,116,000).

5 Operating profit

Arrived at after charging/(crediting)

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
<i>Included in operating costs:</i>		
Depreciation of tangible fixed assets	15,908	12,661
Depreciation on right-of-use assets	277	179
Amortisation expense	2,625	1,938
Operating lease expense	989	1,184
(Profit)/loss on disposal of plant and equipment	(110)	62
Impairment of intangible assets	-	110
Impairment of tangible asset	3,365	492
Changes in inventories of finished goods and work in progress	23,869	20,416
Foreign exchange losses/(gains)	439	(1)
	<u></u>	<u></u>

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****6 Finance income**

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
Interest income on bank deposits	<u>9</u>	<u>39</u>

Interest has not accrued on amounts owed by group undertakings since 3 January 2019, as further detailed in note 16.

7 Finance costs

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
Interest expense on leases - Property	<u>42</u>	<u>33</u>

8 Staff costs

The Company has no employees (31 December 2019: no employees) other than the directors, who did not receive any remuneration (31 December 2019: £nil). All fees paid to directors as remuneration are borne by Costa Ltd and it is not practical to allocate the amount for services in respect of this Company.

9 Auditors' remuneration

Audit fees for the audit of financial statements for the year of £265,000 were borne by Costa Limited (31 December 2019: £290,000).

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****10 Taxation**

Tax charged/(credited) in the income statement

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
Current income tax		
UK corporation tax on profits for the period	7,357	6,550
UK corporation tax adjustment to prior periods	<u>(30)</u>	<u>(490)</u>
Total current tax	7,327	6,060
Double taxation relief	-	(19)
Foreign tax	<u>31</u>	<u>40</u>
Total current income tax	<u>7,358</u>	<u>6,081</u>
Deferred tax		
Arising from origination and reversal of temporary differences	(648)	(55)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(1)</u>	<u>275</u>
Total deferred tax	<u>(649)</u>	<u>220</u>
Total tax charge in the income statement	<u><u>6,709</u></u>	<u><u>6,301</u></u>

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****10 Taxation (continued)**

The UK corporation tax rate is 19% effective from 1 April 2017. Finance Act 2021 will increase the main rate of UK corporation tax to 25% effective from 1 April 2023, however, this was not substantively enacted at the balance sheet date.

The differences are reconciled below:

	52 weeks ended 31 December 2020 £ 000	43 weeks ended 31 December 2019 £ 000
Profit before tax	46,273	43,942
Corporation tax at standard rate	8,792	8,349
Decrease in current tax from adjustment for prior periods	(30)	(490)
Increase from effect of fixed asset differences	326	170
Decrease adjustment opening deferred tax to average rate of 19%	-	(26)
Increase from effect of expenses not deductible in determining taxable profit	203	132
Decrease from transfer pricing adjustments	(2,299)	(1,874)
Increase from effect of foreign tax rates	-	40
Deferred tax credit from unrecognised temporary difference from prior period	(1)	-
Effect of changes in tax rate	(282)	-
Total tax charge	6,709	6,301

The corporation tax balance is a liability of £6,501,000 (31 December 2019: £6,531,000).

Deferred tax

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Deferred tax asset	2,391	649	3,040

Deferred tax movement during the prior period:

	At 1 March 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Deferred tax asset	2,611	(220)	2,391

The deferred tax asset movement in the period is predominantly due to accelerated tax depreciation on PPE.

The UK corporation tax rate is 19% effective from 1 April 2017. Finance Act 2021 will increase the main rate of UK corporation tax to 25% effective from 1 April 2023, however, this was not substantively enacted at the balance sheet date.

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****11 Intangible assets**

	Internally generated software development costs £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	16,160	2,263	18,423
Additions	7,597	-	7,597
Transfers	(2,126)	(1,963)	(4,089)
At 31 December 2020	<u>21,631</u>	<u>300</u>	<u>21,931</u>
Amortisation			
At 1 January 2020	4,703	2,008	6,711
Amortisation charge	2,569	56	2,625
Amortisation eliminated on disposals	(1,421)	(1,840)	(3,261)
At 31 December 2020	<u>5,851</u>	<u>224</u>	<u>6,075</u>
Carrying amount			
At 31 December 2020	<u><u>15,780</u></u>	<u><u>76</u></u>	<u><u>15,856</u></u>
At 31 December 2019	<u><u>11,457</u></u>	<u><u>255</u></u>	<u><u>11,712</u></u>

Included within internally generated software development at 31 December 2020 was an amount of £4,883,000 (31 December 2019: £7,836,000) relating to expenditure for machines in the course of construction.

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****12 Tangible assets**

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	1,179	136,421	137,600
Additions	18	30,594	30,612
Disposals	(193)	(27,022)	(27,215)
At 31 December 2020	<u>1,004</u>	<u>139,993</u>	<u>140,997</u>
Depreciation			
At 1 January 2020	86	73,353	73,439
Charge for the year	89	15,819	15,908
Disposals	(193)	(13,963)	(14,156)
Transfers	336	(336)	-
Impairment	-	3,365	3,365
At 31 December 2020	<u>318</u>	<u>78,238</u>	<u>78,556</u>
Carrying amount			
At 31 December 2020	<u>686</u>	<u>61,755</u>	<u>62,441</u>
At 31 December 2019	<u>1,093</u>	<u>63,068</u>	<u>64,161</u>

Included within furniture fittings and equipment at 31 December 2020 was an amount of £11,442,000 (31 December 2019: £13,735,000) relating to expenditure for machines in the course of construction.

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****13 Right-of-use assets**

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	2,040	2,040
Additions	538	538
At 31 December 2020	2,578	2,578
Depreciation		
At 1 January 2020	179	179
Charge for the year	277	277
At 31 December 2020	456	456
Carrying amount		
At 31 December 2020	<u>2,122</u>	<u>2,122</u>
At 31 December 2019	<u>1,861</u>	<u>1,861</u>

14 Leases**Leases included in creditors**

	31 December 2020 £ 000	31 December 2019 £ 000
Current portion of long-term lease liabilities	303	232
Long term lease liabilities	<u>1,849</u>	<u>1,604</u>

The lease liability relates to 3 office buildings that are all due to end in September 2028.

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 December 2020 £ 000	31 December 2019 £ 000
Payment		
Right of use assets	226	236
Interest	(42)	(33)
Total cash outflow	<u>184</u>	<u>203</u>

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****15 Stocks**

	31 December 2020 £ 000	31 December 2019 £ 000
Finished goods and goods for resale	<u>9,087</u>	<u>10,107</u>

16 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade receivables	18,107	18,516
Provision for impairment of trade receivables	<u>(743)</u>	<u>(191)</u>
Net trade receivables	17,364	18,325
Receivables from related parties	140,745	104,489
Prepayments and accrued income	<u>5,521</u>	<u>2,955</u>
Total current trade and other receivables	<u>163,630</u>	<u>125,769</u>

Amounts owed by related parties are repayable on demand.

17 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade payables	6,955	4,811
Social security and other taxes	1	-
Other payables	448	1,428
Accrued expenses	11,472	14,208
Current portion of long-term lease liabilities	<u>303</u>	<u>232</u>
	<u>19,179</u>	<u>20,679</u>

COSTA EXPRESS LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****18 Share capital****Allotted, called-up and fully paid shares**

	31 December 2020		31 December 2019	
	No. 000	£ 000	No. 000	£ 000
Allotted, called up and fully paid 721,079 Ordinary shares of £0.10 each	<u>721</u>	<u>72</u>	<u>721</u>	<u>72</u>

Nil shares allotted

During the year £nil Ordinary shares were allocated for any aggregate consideration. (2019: £nil).

19 Related party transactions

The Company is a wholly-owned subsidiary of The Coca-Cola Company, the ultimate controlling entity, and has taken advantage of the exemption given in Financial Reporting Standard 101 (8(k)) not to disclose transactions with other group companies.

20 Parent and ultimate parent undertaking

The Company's immediate parent is Costa Express Holdings Limited. The

ultimate parent is The Coca-Cola Company.

The most senior parent entity producing publicly available financial statements is The Coca-Cola Company.

The ultimate controlling party is The Coca-Cola Company.

Relationship between entity and parents

The parent of the smallest and largest group in which these financial statements are consolidated is The Coca-Cola Company, incorporated in United States of America.

The address of The Coca-Cola Company is:

The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, United States of America.

21 Events after the balance sheet date

There have been no significant events occurring after the balance sheet date which may affect either the Company's operations or results of those operations or the Company's state of affairs.