

Costa Express Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



COSTA EXPRESS HOLDINGS LIMITED

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Income Statement	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 22

COSTA EXPRESS HOLDINGS LIMITED

Company Information

Directors	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:	06543325
Statutory auditor	Ernst & Young LLP 400 Capability Green, Luton, Bedfordshire, LU1 3LU

COSTA EXPRESS HOLDINGS LIMITED

Strategic Report for the Financial Period 31 December 2020

The directors present their report for the year ended 31 December 2020. The prior year period was for the 43 weeks to 31 December 2019.

Fair review of the business

The result for the period after taxation, is £nil (43 weeks to 31 December 2019: £nil).

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

	52 weeks ended 31 December 2020 £'000	43 weeks ended 31 December 2019 £'000	Change
Profit/loss for financial year	-	-	- %
Shareholder's equity	(23,396)	(23,396)	- %

As the Company is not involved in any trading activities, the directors are not required to monitor non-financial key performance indicators.

The Company is a holding company and has balances with group undertakings.

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 HOLDINGS LIMITED

Strategic Report for the Financial Period 31 December 2020 (continued)

Principal risks and uncertainties

Climate Change

Risk: Climate change may impact coffee bean prices.

Mitigation: The Costa Group 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.

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. The Costa Group have contingency plans firmly in place and continue to evolve these with our major suppliers to help maintain the supply of key products lines and alternatives. The interest of the stakeholders was considered in the decision-making process to mitigate Brexit risks. The long-term impact was to reduce the cost base and improve efficiency.

Coronavirus (COVID-19)

Risk: In the first quarter of 2020 the COVID-19 global pandemic emerged and introduced significant uncertainty for the UK and global economy.

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

The Company's Directors have updated the plans for 2021 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.

Approved by the Board on 29/09/21 and signed on its behalf by:



R Willan

Director

COSTA EXPRESS HOLDINGS LIMITED

Directors' Report for the Financial Period 31 December 2020

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

Principal activity

The principal activity of the Company during the year was that of a holding company, maintaining oversight over its subsidiary but not participating in any trading activity.

Directors' of the Company

The directors, who held office during the year, were as follows:

N Orrin

S Martin

The following company secretary and director was appointed after the year end:

S Savjani (appointed 23 April 2021) and R Willian (appointed 25 March 2021)

The following company secretary resigned after year end:

R Fairhurst (resigned 14 May 2021)

Dividends

The directors do not recommend a final dividend payment be made in respect of the financial year ended 31 December 2020 (31 December 2019: £nil).

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 up to 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 Directors have a reasonable expectation 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 HOLDINGS LIMITED

Directors' Report for the Financial Period 31 December 2020

Going concern (continued)

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.

Future developments

No significant developments are expected.

Events after the balance sheet date

There have been no events after the reporting date which requires adjustment or further disclosure in the financial statements.

Disclosure of information to the auditors

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.

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 auditors

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 29/09/21 and signed on its behalf by:



.....
R Willan
Director

COSTA EXPRESS HOLDINGS LIMITED

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 Company 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 HOLDINGS LIMITED

Opinion

We have audited the financial statements of Costa Express Holdings Limited for the year ended 31 December 2020, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11, 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 state of the Company's affairs as at 31 December 2020 and of its result 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 company's ability to continue as a going concern for a 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 company'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.

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.

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.

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

Opinion on other matter 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 the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 Statement of Directors' Responsibilities set out on page 6, the directors are 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.

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.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined the most significant to be those relating to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. The company has minimal transactions, and no employees.
- We understood how Costa Express Holdings Limited is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with senior finance personnel and those charged with governance as to the rationale behind the specific accounting transactions. Due to the nature of the company, the risk of material misstatement is deemed to be low.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included reading board meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of transactions to supporting source documentation.

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.

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

400 Capability Green,
Luton,
Bedfordshire,
LU1 3LU

Date: 30 September 2021

COSTA EXPRESS HOLDINGS LIMITED

Income Statement for the Financial Period Ended 31 December 2020

The Company did not trade during the financial year or preceding year. The Company did not earn income or incur expenditure this year or in the preceding year, except for the auditor's fees which is borne by another company. Consequently, the Company made neither a profit nor a loss during the financial year and preceding year and there were also no items of comprehensive income during 2020 and 2019.

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.

COSTA EXPRESS HOLDINGS LIMITED**Balance Sheet**

as at 31 December 2020

		31 December 2020 £ 000	31 December 2019 £ 000
	Note		
Assets			
Non-current assets			
Investments	6	<u>11,703</u>	<u>11,703</u>
Total assets		11,703	11,703
Current liabilities			
Trade and other payables	7	<u>(35,099)</u>	<u>(35,099)</u>
Net liabilities		<u>(23,396)</u>	<u>(23,396)</u>
Equity			
Called-up share capital	8	1	1
Share premium reserve		65	65
Profit and loss account		<u>(23,462)</u>	<u>(23,462)</u>
Total equity		<u>(23,396)</u>	<u>(23,396)</u>

Company number : 06543325

Approved by the Board on 29/09/21 and signed on its behalf by:

R Willan
Director

The notes on pages 13 to 22 form an integral part of these financial statements.

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

	Called-up share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 March 2019	1	65	(23,462)	(23,396)
Profit for the year	-	-	-	-
Total comprehensive loss	-	-	-	-
At 31 December 2019	<u>1</u>	<u>65</u>	<u>(23,462)</u>	<u>(23,396)</u>

	Called-up share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	1	65	(23,462)	(23,396)
Profit for the year	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2020	<u>1</u>	<u>65</u>	<u>(23,462)</u>	<u>(23,396)</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

COSTA EXPRESS HOLDINGS LIMITED

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

1 General information and basis of 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.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of The Coca-Cola Company. These financial statements are available upon request from The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, United States of America.

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

The financial statements are presented in pounds sterling, which is the functional currency, and all values are rounded to the nearest thousand except when otherwise stated.

Summary of disclosure exemptions

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

- (a) the requirements of IAS 7 Statement of Cash Flows;
- (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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) 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 HOLDINGS LIMITED

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

General information and basis of preparation (continued)

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 up to 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 Directors have a reasonable expectation 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.

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.

COSTA EXPRESS HOLDINGS LIMITED

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

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.

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

COSTA EXPRESS HOLDINGS LIMITED

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

2 Accounting policies (continued)

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:-

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.

COSTA EXPRESS HOLDINGS LIMITED

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

2 Accounting policies (continued)

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.

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.

COSTA EXPRESS HOLDINGS LIMITED

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

2 Accounting policies (continued)

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

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 month 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.

COSTA EXPRESS HOLDINGS LIMITED

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

3 Key accounting judgements and estimates

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. In the process of applying the Group's accounting policies, the Directors have considered whether there are any such sources of estimation or critical accounting judgements in forming the financial statements and do not consider there to be any for the purposes of disclosure.

4 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.

5 Auditors' remuneration

Audit fees for the year of £10,000 were borne by Costa Limited (to 31 December 2019: £10,000 borne by Costa Limited).

COSTA EXPRESS HOLDINGS LIMITED**Notes to the Financial Statements for the Financial Period Ended 31 December 2020 (continued)****6 Investments**

	Investment in subsidiary company £ 000	Total £ 000
Subsidiaries		
Cost or valuation		
At 1 January 2020	11,703	11,703
At 31 December 2020	11,703	11,703
Provision		
Carrying amount		
At 31 December 2020	<u>11,703</u>	<u>11,703</u>

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation, principal place of business and registered office.	Proportion of ownership interest and voting rights held	
			31 December 2020	31 December 2019
Costa Express Limited	The sale of coffee and other beverages from branded self-serve coffee machines	England 3 Knaves Beach Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%

The investment is directly held by the Company.

COSTA EXPRESS HOLDINGS LIMITED**Notes to the Financial Statements for the Financial Period Ended 31 December 2020 (continued)****7 Trade and other payables**

	31 December 2020 £ 000	31 December 2019 £ 000
Amounts due to group undertakings	<u>35,099</u>	<u>35,099</u>

Amounts due to group undertakings are repayable on demand and, prior to 3 January 2019, were subject to a compounding quarterly interest charge. No interest has been charged on the balances since 3 January 2019, whilst the Costa Group, of which the Company is a member, carries out a review of its intercompany lending arrangements following its acquisition by The Coca-Cola Company.

8 Share capital**Allotted, called-up and fully paid shares**

	31 December 2020		31 December 2019	
	No. 000	£ 000	No. 000	£ 000
A Ordinary of £0.01 each	72	1	72	1
B Ordinary of £0.01 each	25	-	25	-
Deferred of £0.01 each	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

Rights, preferences and restrictions

A Ordinary have the following rights, preferences and restrictions:

The shares have attached to them full voting rights.

B Ordinary have the following rights, preferences and restrictions:

The shares have attached to them full voting rights.

Deferred have the following rights, preferences and restrictions:

The holders are entitled to receive notice of all General Meetings, but are not entitled to attend or vote.

COSTA EXPRESS HOLDINGS LIMITED

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

9 Parent of group in whose consolidated financial statements the Company is consolidated

The smallest and largest parent preparing consolidated financial statements is The Coca-Cola Company.

These financial statements are available upon request from The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, United States of America.

10 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.

11 Parent and ultimate parent undertaking

The Company's immediate parent is Costa Limited.

The ultimate parent is The Coca-Cola Company, Atlanta, Georgia, USA.

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

The ultimate controlling party is The Coca-Cola Company.