

Cuppa-Cino Trading Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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CUPPA-CINO TRADING LIMITED

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CUPPA-CINO TRADING LIMITED

Company Information

Directors	G McDonald J Crookall R Willan
Company secretary	S Savjani
Registered office	Costa House, Houghton Hall Business Park, Porz Avenue, Houghton Regis, Dunstable, Bedfordshire, LU5 5YG
Registered number:	09004090
Statutory auditor	Ernst & Young LLP 400 Capability Green, Luton, LU1 3LU

CUPPA-CINO TRADING LIMITED

Directors' Report for the Year Ended 31 December 2020

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

This report has been prepared in accordance with the special provisions of section 381 of the Companies Act 2006 relating to small companies. The directors has taken exemption under this regime not to disclose the strategic report.

Principal activity

The principal activity of the Company is leaseholder of train platform retail stores.

Directors of the Company

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

G McDonald

J Crookall (appointed 11 March 2020)

The following director was appointed after the year end:

R Willan (appointed 28 April 2021)

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

S Savjani (appointed on 23 April 2021)

R Fairhurst (resigned on 14 May 2021)

Dividend

There was no dividend recommended to be paid in respect of the financial year ended 31 December 2020.

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.

Business review

Principal risks and uncertainties

Laws and regulations

Changes in, or failure to comply with, the laws and regulations applicable to our business operations could increase our costs or reduce our net operating revenues.

Mitigation:

A robust lease management policy is in place which is administered via managing agents whom manage the legal and property obligations at travel locations and compliance with the travel operators. Our property processes are audited each year and have recently been updated to ensure correct policy.

CUPPA-CINO TRADING LIMITED

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

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: The Directors consider the Company, a Subsidiary of Costa Limited, to be a member of the Costa group of UK domiciled companies headed by Costa Limited. The COVID-19 risk mitigation detailed below is applicable to the Costa group of companies.

The Company's Directors have updated the plans for 2020 and 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.

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 Costa Express 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 including prioritisation and accessing government support where necessary.
- Must win in the UK Retail and Costa Express as 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.

CUPPA-CINO TRADING LIMITED

Directors' Report for the Year Ended 31 December 2020 (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 ongoing 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 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 31 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]

CUPPA-CINO TRADING LIMITED

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

Going concern (continued)

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.

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 for the year ended 31 December 2020 and remains in place at the date of this report.

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.

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 29 September 2021 and signed on its behalf by:



.....
G McDonald
Director

CUPPA-CINO TRADING 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 company 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 CUPPA-CINO TRADING LIMITED

Qualified Opinion

We have audited the financial statements of Cuppa-Cino Trading Limited for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18 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, except for the effects of the matter described in the basis for qualified opinion section, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss 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 qualified opinion

We were unable to obtain sufficient appropriate audit evidence on balances remaining from prior periods as management did not have access to the relevant information at the time of acquisition in July 2019, nor have they subsequently been able to find this information during the current financial year. We were unable to satisfy ourselves by alternative means concerning these balances. These amounts include: Trade and other receivables of £139,000, Trade and other payables of £137,000, Capital contributions of £116,000 and Retained Earnings of £114,000.

We disclaimed our opinion on the 31 December 2019 financial statements as we were unable to obtain sufficient appropriate audit evidence on the opening balances in accordance with ISA 510 Initial Audit Engagements – Opening Balances. We were unable to satisfy ourselves by alternative means concerning the opening balances at 1 May 2019, which included the balances discussed above and determined the effect to be pervasive. Since the opening balances enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the loss for the 35-week period reported in the profit and loss account and statement of changes in equity.

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUPPA-CINO TRADING LIMITED (continued)

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.

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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the following balances: Trade and other receivables of £139,000, Trade and other payables of £137,000, Capital contributions of £116,000 and Retained Earnings of £114,000. We have concluded that where the other information refers to the balances, they may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effect of the matter described in the basis for qualified opinion section of our report in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUPPA-CINO TRADING LIMITED (continued)

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:

- 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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 understood how Cuppa-Cino Trading Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUPPA-CINO TRADING LIMITED (continued)

- 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.
 - 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.

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: 30 September 2021

CUPPA-CINO TRADING LIMITED**Income Statement for the Year Ended 31 December 2020**

		52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
	Note		
Income	4	23	196
Administrative expenses	5	<u>(33)</u>	<u>(243)</u>
Operating loss		<u>(10)</u>	<u>(47)</u>
Finance revenue	7	11	10
Finance costs	8	<u>(11)</u>	<u>(10)</u>
Net finance income/(cost)		<u>-</u>	<u>-</u>
Loss before tax		(10)	(47)
Tax expense	10	<u>-</u>	<u>-</u>
Loss for the year		<u>(10)</u>	<u>(47)</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 14 to 23 form an integral part of these financial statements.

CUPPA-CINO TRADING LIMITED**Statement of Financial Position**
as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Assets			
Non-current assets			
Right-of-use asset - Long-term finance lease receivable	11	344	539
Current assets			
Trade and other receivables	12	139	141
Right-of-use assets - Short term finance lease receivable	11	365	246
		<u>504</u>	<u>387</u>
Total assets		<u>848</u>	<u>926</u>
Non-current liabilities			
Long-term lease liabilities	14	344	539
		<u>344</u>	<u>539</u>
Current liabilities			
Short term lease liabilities	14	365	246
Trade and other payables	13	137	129
		<u>502</u>	<u>375</u>
Total liabilities		<u>846</u>	<u>914</u>
Net assets		<u>2</u>	<u>12</u>
Equity			
Called-up share capital	15	-	-
Capital contributions		116	116
Retained earnings		<u>(114)</u>	<u>(104)</u>
Total equity		<u>2</u>	<u>12</u>

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 29 September 2021 and signed on its behalf by:



G McDonald
Director

The notes on pages 14 to 23 form an integral part of these financial statements.

CUPPA-CINO TRADING LIMITED**Statement of Changes in Equity for the Year Ended 31 December 2020**

	Called-up share capital £ 000	Capital contributions £ 000	Retained earnings £ 000	Total £ 000
At 1 May 2019	-	-	(57)	(57)
Loss for the period	-	-	(47)	(47)
Total comprehensive loss	-	-	(47)	(47)
Other capital redemption reserve movements	-	116	-	116
At 31 December 2019	-	116	(104)	12

	Called-up share capital £ 000	Capital contributions £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	-	116	(104)	12
Profit for the year	-	-	(10)	(10)
Total comprehensive income	-	-	(10)	(10)
At 31 December 2020	-	116	(114)	2

The notes on pages 14 to 23 form an integral part of these financial statements.

CUPPA-CINO TRADING LIMITED

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

1 General information and basis of preparation

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:

Costa House,
Houghton Hall Business Park,
Porz Avenue, Houghton Regis,
Dunstable,
Bedfordshire,
LU5 5YG

These financial statements were authorised for issue by the Board on 28 September 2021.

Basis of preparation

The Company meets the definition of a qualifying entity 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 financial period represents 52 weeks to 31 December 2020 (prior financial year: 35 weeks to 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.

Going concern

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 ongoing 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 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 31 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;

CUPPA-CINO TRADING LIMITED

1 General information and basis of preparation (continued)

Going concern (continued)

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.

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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 disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of The Coca-Cola Company.

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, because the share-based payment arrangement concerns the instruments of another group entity;
- (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;

CUPPA-CINO TRADING LIMITED

2 Accounting policies (continued)

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

Summary of significant accounting policies and key accounting estimates

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 from the sale of from the sale of revenue from the sale of food, beverages and merchandise is recognised at the point of sale, with the exception of wholesale transactions which are recognised on delivery. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

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

Recharges

The contract has been established for the lease term of the five leases. The transaction price is the periodic leasehold associated expenses as notified by the suppliers in advance. The obligation is satisfied when the supplier has been paid and the intercompany transactions have been recorded as a receivable in Cuppa-Cino Trading Limited and a payable in Costa Limited.

Finance income and costs policy

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.

CUPPA-CINO TRADING LIMITED

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

2 Accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Provision for liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

CUPPA-CINO TRADING 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 finance-lease receivables representing the income from Costa Limited which has the right to use the underlying assets.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate. 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.

Amounts due from Costa Limited for the use of the leased assets are recorded as a finance lease receivable for the lease term and is measured at the Company's net investment in the leases from 1 May 2019. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease.

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 statement of financial position, although excluding property, plant and equipment, 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 marketplace.

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

CUPPA-CINO TRADING LIMITED

Notes to the Financial Statements for the Year 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 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.

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. 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.

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 it is 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).

CUPPA-CINO TRADING LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****4 Income**

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

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
Intercompany receivable	23	196
	<u>23</u>	<u>196</u>

The analysis of the Company's turnover for the year by market is as follows:

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
UK	<u>23</u>	<u>196</u>

5 Administrative expenses

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
Depreciation	-	16
Rates and other sundry expenses	33	227
	<u>33</u>	<u>243</u>

6 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 Limited and it is not practical to allocate the amount for services in respect of this Company.

7 Finance revenue

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
Lease interest receivable	<u>11</u>	<u>10</u>

CUPPA-CINO TRADING LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****8 Finance costs**

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
Interest expense on right-of-use lease liability	<u>11</u>	<u>10</u>

9 Auditor's remuneration

Audit fees for the year of £22,000 were borne by Costa Limited (35 weeks ended 31 December 2019: £26,000).

10 Tax expense

Tax charged/(credited) in the income statement

	52 weeks ended 31 December 2020 £ 000	35 weeks ended 31 December 2019 £ 000
Current taxation		
UK corporation tax	<u>-</u>	<u>-</u>
Total tax charge in the Income Statement	<u>-</u>	<u>-</u>

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	35 weeks ended 31 December 2019 £ 000
Loss before tax	<u>(10)</u>	<u>(47)</u>
Corporation tax at standard rate	(2)	(9)
Increase from effect of expenses not deductible in determining taxable profit	<u>2</u>	<u>9</u>
Total tax charges in the income statement	<u>-</u>	<u>-</u>

CUPPA-CINO TRADING LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****11 Right-of-use assets Lease receivables**

	Current Land & buildings £ 000	Non-current Land & buildings £ 000	Total Land & buildings £ 000
As at 1 January 2020	246	539	785
Interest receivable	-	11	11
Lease receipts	-	(87)	(87)
Transfers	119	(119)	-
	<u>119</u>	<u>(119)</u>	<u>-</u>
Balance as at 31 December 2020	<u>365</u>	<u>344</u>	<u>709</u>

12 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Intercompany debtors	139	131
Prepayments	-	10
	<u>139</u>	<u>141</u>

13 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Intercompany payables	137	75
Other creditors	-	54
	<u>137</u>	<u>129</u>

14 Short Term & Long-Term Lease liabilities**Leases included in creditors**

	Current Land & buildings £ 000	Non-current Land & buildings £ 000	Total Land & buildings £ 000
As at 1 January 2020	246	539	785
Interest expense	-	11	11
Lease payments	-	(87)	(87)
Transfers	119	(119)	-
	<u>119</u>	<u>(119)</u>	<u>-</u>
Balance as at 31 December 2020	<u>365</u>	<u>344</u>	<u>709</u>

CUPPA-CINO TRADING LIMITED**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****15 Share capital****Allotted, called-up and fully paid shares**

	31 December 2020		31 December 2019	
	No.	£	No.	£
Ordinary of £1 each	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>

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

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated 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.

17 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.

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

The ultimate controlling party is The Coca-Cola Company.