

# Innocent Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016



## **INNOCENT LIMITED**

### **Contents**

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 30

## **INNOCENT LIMITED**

### **Company Information**

<b>Directors</b>	J L Davenport D Lamont S Mori S Roche
<b>Company secretary</b>	J L Davenport
<b>Registered office</b>	Fruit Towers 342 Ladbroke Grove London W10 5BU
<b>Solicitors</b>	Joelson Wilson & Co 30 Portland Place London W1B 1LZ
<b>Bankers</b>	Bank of Scotland plc The Mound Edinburgh EH1 1YZ  Citibank 1 Northwall Quay Dublin 1 Ireland
<b>Auditors</b>	Ernst & Young Harcourt Centre Harcourt Street Dublin 2 Ireland

## **INNOCENT LIMITED**

### **Strategic Report for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

The group's principal activities during the year continued to be the development, manufacturing and distributing of natural healthy food and drinks. In April 2015 the group ceased trade in its food business.

Group financial statements have not been prepared as the Company is exempt from preparing such financial statements under section 401(1) of the Companies Act 2006. The Company's financial statements present information about it as an individual company and not about its group.

Presented below are the Group's financial and other performance indicators, which provide a better representation of the financial performance of the business:

	<b>Unaudited 2016 £m</b>	<b>Unaudited 2015 £m</b>	<b>Change %</b>
Group turnover	303.5	247.4	23
Group operating profit/(loss)	8.5	(0.7)	
Group operating profit/(loss) - excluding movement in the fair value of unrealised derivatives	3.1	(0.9)	
Group tax charge	(2.0)	(1.4)	41
Group profit/(loss) after tax	6.4	(2.1)	
Group shareholder funds	60.5	68.1	(11)
Average number of employees	401.0	361.0	11
Group charitable donations	<u>1.5</u>	<u>1.5</u>	

The above Group results include those of the Company, its subsidiaries and those of Fresh Trading Limited, the Parent company.

2016 was an outstanding year for the business with successful innovation launches and continued geographic expansion. We have continued our strategy, as developed and implemented in 2013, and we achieved our ambition of becoming Europe's favourite little chilled juice brand. The innocent brand was also the fastest growing soft drinks brand in Europe.

We are pleased to have delivered operating profit in line with expectation as we continue to invest for growth, however the substantial strengthening of the US dollar has a material impact on our business as a substantial proportion of our raw materials are purchased in dollars. We have worked very hard to find substantial cost efficiencies to offset as much of this impact as possible. This will be even more of a challenge in 2018 as our US dollar hedges unwind. Our underlying supply chain and operating model is undergoing significant transformation as we grow rapidly (50% growth since the start of 2013) and adapt to being a truly pan European business with more than 50% of our sales outside of the UK.

As we look ahead, we believe the opportunities for the business continue to grow, as consumers increasingly focus on health and wellness. Our ambition is to become Europe's favourite healthy drinks company through continued product innovation, geographic expansion and partnering with our retailers to make it easy for people to do themselves some good. We will continue to invest substantially to deliver on this ambition whilst ensuring we protect our margins to build long term value.

## INNOCENT LIMITED

### Strategic Report for the Year Ended 31 December 2016 (continued)

We continue to be fully committed to building a business we are proud of. In 2016 we made charitable donations of £1.5m to our Foundation and to age concern charities through our Big Knit campaign. This takes our total charitable donations to over £10m, a significant milestone for the business.

Our Foundation has now helped 750,000 hungry people around the world, and this year celebrated a breakthrough success with its partner Action Against Hunger, where they piloted a new model for treating children with severe acute malnutrition resulting in treatment rates doubling. The Mali government are so impressed they will now look to adopt this approach at a national level and the foundation hopes to be able to influence global policy change, which could save millions of lives each year.

Our sustainability focus remains as strong as ever. We have introduced a revised auditing programme for our suppliers to ensure a consistent and credible standard of sustainability performance according to international standards. We are also working hard to increase the level of recycled material in our packaging (currently 30% - 50%) and are investigating new technologies to enable this.

We have been recognised for our agriculture work with a Guardian Sustainability Award for our project to reduce water stress in strawberry growing areas in Spain.

We are grateful for the long term partnerships we have with our many suppliers and retail partners. It is because of the strength of these partnerships and the can do attitude of everyone involved that we continue to be able to innovate and grow quickly. Of course, we are also very thankful for the talented, committed and passionate team that we have right across Europe; they make innocent a special place to work.

The Company's principal activities during the year continued to be the development, manufacturing and distributing of natural healthy drinks.

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

	2016 £'000	2015 £'000	Change
Turnover (continuing operations)	268,026	223,632	20 %
Operating profit	13,224	10,945	21 %
Profit for financial year	12,677	10,636	19 %
Shareholder's equity	83,945	71,268	18 %

As per Group performance, Innocent Limited had a successful year. The chilled juice sector continued to improve as consumers continued to enjoy our broad range of healthy, tasty drinks.

#### *Financial risks*

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital management and to reduce the impact of price fluctuations, whether due to the demand for raw materials or foreign currency fluctuations.

#### *Credit risk*

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

## **INNOCENT LIMITED**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

#### *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.

#### *Pricing risk*

Pricing risk is the risk that the movement in the price of key materials will adversely affect the profitability of the business. The Company aims to manage the risk of movement in the price of fruit by the use of purchase contracts to secure future supply.

Innocent Limited uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

#### *Competitive risks*

Competitive risks have continued to increase with the introduction of new competitors and supermarket own brand chilled juice drinks and the level of promotional activity and discounts in the market.

#### *Litigation*

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

#### *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.

#### *Brexit*

Brexit has given rise to increased economic uncertainty. As the exit process becomes clearer we will be using our risk management tools to identify potential impacts and are confident that we are well placed to navigate and mitigate what will no doubt be a period of both continued uncertainty and significant change over the next few years. We are adept at dealing with significant change given the high growth rates of the Company, seasonal cost fluctuations from fruit procurement and currency movements and hence believe we will be able to remain nimble and agile to these future changes.

Approved by the Board on 19 May 2017 and signed on its behalf by:

  
.....

J L Davenport  
Company secretary and director

## **INNOCENT LIMITED**

### **Directors' Report for the Year Ended 31 December 2016**

Registered No. 04007092

The directors present their report and the financial statements for the year ended 31 December 2016.

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

J L Davenport - Company secretary and director

D Lamont

S Mori

S Roche

The Company's principal activities during the year continued to be the development, manufacturing and distributing of natural healthy drinks.

The directors recommend that the Company does not pay a dividend in respect of the financial year ended 31 December 2016 (2015: £Nil).

During the year the Company made donations of :

Charitable donations

£  
1,367,000

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through the weekly and quarterly updates in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The Company intends to continue operating in line with current activity.

The Company carries out research and development necessary to support its principal activity of developing, manufacturing, and distributing natural healthy drinks.

## **INNOCENT LIMITED**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

The Company holds a branch in Ireland. The results of the branch are included within the Company results presented herein.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to risk are described in the Strategic Report on pages 2 to 4.


Having reviewed the Company's current position and cash flow projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On the 28th February 2017 the Company issued a dividend to its sole shareholder, Fresh Trading Limited, amounting to £50,000,000.

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.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 19 May 2017 and signed on its behalf by:

  
.....  
J L Davenport  
Company secretary and director



## **INNOCENT LIMITED**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable 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 FRS 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 and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCENT LIMITED**

We have audited the financial statements of Innocent Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

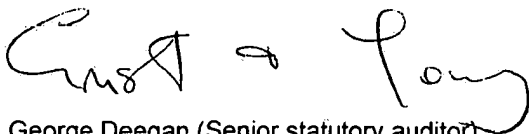
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**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 identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.



George Deegan (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin

22 May 2017

# INNOCENT LIMITED

## Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	268,026	223,632
Cost of sales		<u>(191,808)</u>	<u>(161,724)</u>
<b>Gross profit</b>		<b>76,218</b>	<b>61,908</b>
Distribution costs		(41,014)	(43,328)
Administrative expenses		<u>(21,980)</u>	<u>(7,635)</u>
<b>Operating profit</b>	5	<b>13,224</b>	<b>10,945</b>
Interest receivable and similar income	8	450	490
Interest payable and similar charges	9	<u>(14)</u>	<u>(430)</u>
<b>Profit before tax</b>		<b>13,660</b>	<b>11,005</b>
Tax on profit on ordinary activities	10	<u>(983)</u>	<u>(369)</u>
<b>Profit for the year</b>		<b>12,677</b>	<b>10,636</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<b><u>12,677</u></b>	<b><u>10,636</u></b>

The above results were derived from continuing operations.

# INNOCENT LIMITED

(Registration number: 04007092)  
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
<b>Fixed assets</b>			
Intangible assets	11	950	858
Tangible assets	12	3,973	2,218
Investments	13	4,006	3,997
		<u>8,929</u>	<u>7,073</u>
<b>Current assets</b>			
Stocks	14	22,816	16,632
Debtors	15	87,410	73,854
Cash at bank and in hand	16	20,987	25,795
Short-term deposits		-	5,053
		<u>131,213</u>	<u>121,334</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(55,553)</u>	<u>(57,139)</u>
<b>Net current assets</b>		<u>75,660</u>	<u>64,195</u>
<b>Total assets less current liabilities</b>		<b>84,589</b>	<b>71,268</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<u>(644)</u>	<u>-</u>
<b>Net assets</b>		<u><b>83,945</b></u>	<u><b>71,268</b></u>
<b>Capital and reserves</b>			
Called up share capital	18	0	0
Capital contribution reserve		51,746	51,746
Profit and loss account		<u>32,199</u>	<u>19,522</u>
<b>Shareholders' funds</b>		<u><b>83,945</b></u>	<u><b>71,268</b></u>

Approved by the Board on 19 May 2017 and signed on its behalf by:

  
.....

J L Davenport

Company secretary and director

# INNOCENT LIMITED

## Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	-	51,746	8,886	60,632
Profit for the year	-	-	10,636	10,636
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	10,636	10,636
At 31 December 2015	-	51,746	19,522	71,268

	Share capital £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	-	51,746	19,522	71,268
Profit for the year	-	-	12,677	12,677
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	12,677	12,677
At 31 December 2016	-	51,746	32,199	83,945

The capital contribution reserve relates to an intercompany payable to the Company's parent, Fresh Trading Limited, that was forgiven.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **1 Authorisation of financial statements & statement of compliance with FRS 101**

The financial statements of Innocent Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board on 19 May 2017. Innocent Limited is a private company, limited by shares, incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016. The financial statements are prepared in Pound Sterling and are rounded to the nearest thousand Pounds (£ 000).

Group financial statements have not been prepared as the Company is exempt from preparing such financial statements under section 401(1) of the Companies Act 2006. The Company's financial statements present information about it as an individual company and not about its group. The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member and the ultimate controlling party, is The Coca-Cola Company. Copies of the group financial statements are available to the public from The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, United States of America. Copies of the financial statements can be obtained from the Company's registered office.

#### **2 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are prepared under the historical cost convention, modified by the revaluation of derivative financial instruments as identified in the accompanying notes.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) 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;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **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 paragraph 17 of IAS 24 Related Party Disclosures; and
- (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.

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discount, rebates, VAT and other sales taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

- Sale of goods: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on receipt by the buyer of the goods.
- Interest income: Revenue is recognised as interest accrues using the effective-interest method.
- Listing fees and slotting fees: Fees that are paid in order for the Company's products to be listed on-shelf are deducted from net revenue. Fees that represent a separable, discretionary cost are treated as a distribution cost.

Specific criteria have been met for each of the Company activities.

Trade debtors, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.



## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the Profit and Loss Account in the period of de-recognition.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and machinery	4-12 years
Motor vehicles	4 years

Intangible assets acquired separately are measured on initial recognition at cost. Costs associated with the development phase of an internally generated intangible asset are capitalised. IAS 38 prescribes that such assets only be recognised where the costs meet the definition of an identifiable non-monetary asset without physical substance, that is controlled by the entity as a result of past events, and from which future economic benefits are expected. Software assets considered integral to the related hardware assets are included within property, plant and equipment.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Software	the length of the licence
System development costs	2-5 years

Fixed asset investments are stated at cost less provision for impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials - purchase cost on a first-in, first-out basis

Finished goods - cost of direct materials, blending costs and attributable overheads, based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material provisions are discounted.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

The Company makes contributions to a defined contribution scheme on behalf of its employees. Contributions are charged to the profit and loss account as they become due, in accordance with the rules of the scheme.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

The senior management team have a rolling 3 year bonus incentive plan, which commenced on 1st January 2016. A portion of the bonus awarded in the year is paid out in year, whilst the remaining portion is deferred and paid out in the 2 subsequent years. A variable element makes up some of the amount paid out in the third year, which changes according to a set company metric.

The bonus accrual for the Company at 31st December 2016 represents both the element of the 2016 bonuses which was paid out in January 2017 and also the deferred elements which are not paid out until January 2018 and 2019 respectively (2016: £644,000, 2015: £Nil).

The Company uses forward currency contracts to mitigate its foreign currency risks. These derivative financial instruments are recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Foreign currency forwards that meet the definition of a derivative under IAS 39 are recognised in the profit or loss account as cost of sales. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### ***Classification***

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

##### ***Recognition and measurement***

###### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

###### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income or interest charges in the Profit and Loss Account. The losses arising from impairment are recognised in the Profit and Loss Account in administrative expenses.

###### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented in cost of sales in the profit and loss account. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

###### ***De-recognition of financial assets***

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### ***Impairment***

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### ***Classification***

The Company's financial liabilities include trade and other payables and derivative financial instruments.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and payables.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements or key sources of estimation uncertainty that have a material impact on these financial statements include:

##### **Recognition of commercial accruals**

Management review the detailed quantification of the Company's commercial accruals on an ongoing basis, using judgement based on specific customer arrangements and policies, historical experience and other factors that are considered to be relevant. As a result, the directors are satisfied that these costs have been appropriately accounted for.

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 4 Turnover

Turnover, which is stated net of value added tax, represents the invoiced amounts of goods sold to third parties, net of credits and discounts. Turnover is attributable to the Company's continuing principal activity.

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

	2016 £ 000	2015 £ 000
Sale of goods	<u>268,026</u>	<u>223,632</u>

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

	2016 £ 000	2015 £ 000
UK	147,615	142,523
Europe	<u>120,411</u>	<u>81,109</u>
	<u>268,026</u>	<u>223,632</u>

#### 5 Operating profit

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
<b>Included in administrative expenses:</b>		
Depreciation of tangible fixed assets	1,374	954
Amortisation expense	210	56
Impairment loss	291	-
Loss on disposal of fixed assets	104	-
<b>Included in cost of sales:</b>		
Raw materials and consumables used	189,524	151,103
Derivative (gain)/loss	(5,343)	(2,778)
Write-down of inventory to net realisable value	928	712
Foreign exchange (gains)/losses	(4,784)	2,360
<b>Operating lease - rentals - minimum lease payments</b>		
- Land and Buildings	<u>86</u>	<u>42</u>

Auditors' fees for audit and non-audit services are paid by the parent undertaking, Fresh Trading Limited. The audit fees for 2016 that relate to the Company are estimated to total £71,000 in respect of audit services and £20,000 in respect of non-audit services.

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	17,258	16,426
Social welfare costs	1,937	1,979
Other pension costs	515	414
	<u>19,710</u>	<u>18,819</u>

£205,000 (2015: £375,000) of the above costs have been capitalised within intangible assets in the year. Other pension costs relate to contributions under a defined contribution scheme.

The average number of employees (including directors) during the year was made up as follows:

	2016 No.	2015 No.
Administration and support	61	68
Sales, marketing and distribution	203	199
	<u>264</u>	<u>267</u>

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Aggregate remuneration in respect to qualifying services *	452	535
Aggregate contribution to pension scheme	13	18
Aggregate amounts receivable under long term incentive plan**	-	397
Aggregate amounts receivable under new deferred bonus scheme***	818	-
	<u>1,283</u>	<u>950</u>

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Aggregate remuneration in respect to qualifying services *	260	307
Aggregate amounts receivable under long term incentive plan ending 31 December 2015 **	-	275
Aggregate contribution to pension scheme	7	9
Aggregate amounts receivable under new deferred bonus scheme***	565	-
	<u>832</u>	<u>591</u>

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 7 Directors' remuneration (continued)

\* £8,000 (2015: £Nil) of remuneration includes cash supplements in lieu of pension contributions. The total amount in respect of the highest paid director was £5,000 (2015: £Nil)

\*\*These amounts represent the increase in the accrual during the year for all outstanding long term incentive plan awards. The total outstanding accrual at the end of 2015 was £585,000 (2014: £188,000). The total outstanding accrual in respect of the highest paid director at the end of 2015 was £405,000 (2014: £130,000). These amounts were paid in February 2016.

\*\*\*This is the total bonus value awarded for 2016 as well as a retrospective element from 2015 which had not been fully approved at the end of 2015. In accordance with the scheme rules, a proportion of the bonus amount is deferred and paid out in future years. No bonus payments had been made at 31 December 2016. £368,000 (2015: £Nil) of this amount was paid out in January 2017, with the remaining to be paid out in January 2018 and January 2019. The total amount paid out in January 2017 in respect of the highest paid director was £253,000 (2015: £Nil).

#### 8 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on bank deposits	16	200
Income from participating interests	434	290
Total interest receivable and similar income	<u>450</u>	<u>490</u>

#### 9 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Bank interest payable	8	-
Interest paid to group undertakings	6	430
Total interest payable and similar costs	<u>14</u>	<u>430</u>

#### 10 Taxation

Tax charged/(credited) in the profit and loss account

	2016 £ 000	2015 £ 000
<b>Current income tax</b>		
UK corporation tax on profits for the period	2,879	2,498
UK corporation tax adjustment to prior periods	(74)	41
Group relief recoverable for no payment	<u>(1,822)</u>	<u>(2,325)</u>
Total current tax	<u>983</u>	<u>214</u>



## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 10 Taxation (continued)

	2016 £ 000	2015 £ 000
<b>Deferred tax</b>		
Arising from origination and reversal of temporary differences	(89)	(211)
Arising from changes in tax rates and laws	13	16
Adjustments in respect of previous periods	120	(7)
Deferred tax asset not recognised	(44)	357
Total deferred tax	-	155
Tax expense in the profit and loss account	983	369

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	13,660	11,005
Corporation tax at standard rate	2,732	2,229
Increase (decrease) in current tax from adjustment for prior periods	(74)	34
Decrease (increase) from effect of expenses not allowable for tax purposes	15	32
Decrease (increase) from tax losses for which no deferred tax asset was recognised	112	357
Increase (decrease) arising from group relief surrendered/claimed for no payment	(1,822)	(2,325)
Deferred tax expense (credit) relating to changes in tax rates or laws	-	42
Deferred tax expense (credit) relating to changes in tax rates and laws	20	-
Total tax charge	983	369

Upon review of forecast financial performance for the overall group, no deferred tax asset has been recognised.

The corporation tax rate in the UK is 20%. This rate will be reduced on 1 April 2017 to 19%, and then further reduced to 17% on 1 April 2020. The 17% statutory rate of corporation tax was enacted in full on 6 September 2016, and this is the rate at which deferred tax would be provided at if it was recognised. No further rate changes have been announced.

# INNOCENT LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 10 Taxation (continued)

The deferred tax included in the balance sheet is as follow:

	31 December 2016 £ 000	31 December 2015 £ 000
<b>Deferred tax assets</b>		
Decelerated capital allowances	604	676
Deferred tax asset not recognised	(312)	(357)
Other timing differences	(292)	(319)
	<u>-</u>	<u>-</u>
Net asset disclosed in the balance sheet	<u>-</u>	<u>-</u>

### 11 Intangible assets

	Software £ 000	Development costs £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2016	428	700	1,128
Additions	302	-	302
Disposals	(190)	-	(190)
Transfers	700	(700)	-
At 31 December 2016	<u>1,240</u>	<u>-</u>	<u>1,240</u>
<b>Amortisation</b>			
At 1 January 2016	263	7	270
Amortisation charge	210	-	210
Amortisation eliminated on disposals	(190)	-	(190)
Transfers	7	(7)	-
At 31 December 2016	<u>290</u>	<u>-</u>	<u>290</u>
<b>Carrying amount</b>			
At 31 December 2016	<u>950</u>	<u>-</u>	<u>950</u>
At 31 December 2015	<u>165</u>	<u>693</u>	<u>858</u>

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 12 Tangible assets

	Plant & Machinery £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2016	5,434	159	5,593
Additions	3,424	100	3,524
Disposals	(733)	(64)	(797)
At 31 December 2016	8,125	195	8,320
<b>Depreciation</b>			
At 1 January 2016	3,240	135	3,375
Charge for the year	1,332	42	1,374
Eliminated on disposal	(629)	(64)	(693)
Impairment	291	-	291
At 31 December 2016	4,234	113	4,347
<b>Carrying amount</b>			
At 31 December 2016	3,891	82	3,973
At 31 December 2015	2,194	24	2,218

An impairment has been recognised in 2016 on certain plant and machinery assets as a result of restructuring supplier agreements to accommodate the Company's expanding supply chain.

The amount of impairment included in profit and loss is £291,000 (2015 - £Nil).

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 13 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2015	3,997
Additions	-
At 31 December 2015	3,997
At 1 January 2016	3,997
Additions	9
At 31 December 2016	4,006
<b>Carrying amount</b>	
At 31 December 2016	4,006

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
Innocent ApS	Drinks sales and distribution	Denmark	100%	100%
Innocent AB	Dormant	Sweden	100%	100%
Innocent Alps GmbH	Drinks sales and distribution	Austria	100%	100%
Innocent Deutschland GmbH*	Administrative services	Germany	100%	100%
Innocent SAS	Drinks sales and distribution	France	100%	100%
Innocent BV	Drinks sales and distribution	Netherlands	100%	100%

\*Innocent Deutschland GmbH is a direct subsidiary of Innocent Alps GmbH, and is not a directly held subsidiary of the Company.

In the opinion of the directors, the value of investments are not less than the carrying amount at which they are stated in the balance sheet.

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 14 Stock

	2016 £ 000	2015 £ 000
Raw materials and consumables	11,568	7,969
Finished goods and goods for resale	11,248	8,663
	<u>22,816</u>	<u>16,632</u>

#### 15 Trade and other debtors

	2016 £ 000	2015 £ 000
Trade debtors	36,373	33,501
Loans to related parties	37,628	29,559
Prepayments	2,980	3,368
Other debtors	496	958
Loan receivable	-	1,400
Other taxes	1,592	1,756
Derivative financial assets	8,341	2,998
Corporation tax asset	-	314
	<u>87,410</u>	<u>73,854</u>
Less non-current portion	<u>(1,921)</u>	<u>(3,561)</u>
Total current trade and other debtors	<u>85,489</u>	<u>70,293</u>

£1,921,000 (2015: £2,561,000) of prepayments is classified as non current.

£Nil (2015: £1,000,000) of loan receivable is classified as non current.

#### 16 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank	<u>20,987</u>	<u>25,795</u>

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 17 Trade and other creditors

	2016 £ 000	2015 £ 000
Trade creditors	34,251	24,759
Accrued expenses and deferral income	18,445	15,921
Amounts payable to group undertakings	1,181	14,411
Social security and other taxes	1,067	1,064
Other creditors	787	984
Corporation tax creditor	466	-
	<u>56,197</u>	<u>57,139</u>

Amounts falling due after more than one year included in the above are accruals for the employee bonus scheme of £644,000 (2015: £Nil).

#### 18 Share capital

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

#### 19 Obligations under leases and hire purchase contracts

The Company has entered into commercial leases on its Irish head office property. The lease has a duration of 1 year.

The total future value of minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Within one year	<u>86</u>	<u>42</u>
	<u>86</u>	<u>42</u>

## INNOCENT LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 20 Commitments

At 31 December 2016, the Company had a commitment of £39,825,692 (2015: £28,826,725) relating to future fruit commodity contracts in order to manage raw material price volatility. Commodity contracts requiring settlement by physical delivery are not financial instruments, and as such fair values for these contracts have not been disclosed.

Innocent Limited, together with European Refreshments (a Coca-Cola group company) and The Coca-Cola Company, are each joint parties to a commitment that between them they shall donate £1,000,000 per annum to the Innocent Foundation for the remaining term of 1 year.

#### 21 Financial instruments

##### Financial assets at fair value through profit or loss

###### *Derivative held for trade*

The Company uses derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. Derivative financial instruments are initially recognised at fair value on the date they are entered into and are subsequently re-measured at their fair value. The resulting gain or loss on re-measurement is taken to the profit and loss account.

	Carrying value	
	2016 £ 000	2015 £ 000
USD forward exchange contracts – unhedged	<u>8,341</u>	<u>2,998</u>

###### *Valuation methods and assumptions*

USD forward exchange contracts – unhedged:

The Company's derivatives are classified as being within level 2 of the fair value hierarchy. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

## **INNOCENT LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **22 Related party transactions**

In 2016 the Company made purchases from companies within the Coca-Cola group, totalling £2,580,000 (2015: £4,727,000). At 31 December 2016 the Company owed companies within the Coca-Cola group £845,000 (2015: £465,000).

In 2016 the Company made sales to companies within the Coca-Cola group, totalling £86,000 (2015: £122,000). At 31 December 2016 the Company was owed by companies within the Coca-Cola group £17,000 (2015: £23,000).

The Company recharged costs to companies within the Coca-Cola group, totalling £67,000 (2015: £81,000). At 31 December 2016 the Company was owed by companies within the Coca-Cola group £Nil (2015: £167,000).

In the year, The Coca-Cola Company entered into derivative forward rate contracts on behalf of the Company. These were held at a gain as at 31 December 2016 of £8,341,000 (2015: £2,998,000). The total notional value of contracts entered into through this arrangement in the year totalled 95,000,000 USD (2015: 65,000,000 USD) and 2,658,000 EUR (2015: Nil EUR).

In 2016 the Company made a charitable contribution of £950,000 (2015: £950,000) to the Innocent Foundation, a related party of the Company by virtue of common directors/trustees.

The Company has taken advantage of the exemptions under FRS101 not to disclose transactions with wholly owned subsidiaries or key management personnel.

#### **23 Parent and ultimate parent undertaking**

The immediate parent company and immediate controlling company is Fresh Trading Limited, a company incorporated in the UK. The ultimate parent company and ultimate controlling party is The Coca-Cola Company, a company incorporated in Delaware, USA, and registered on the New York Stock Exchange. The Coca-Cola Company is the largest group and The Coca-Cola Export Corporation is the smallest group which includes the Company and for which consolidated financial statements are prepared.

Copies of the consolidated financial statements for The Coca-Cola Company are available from The Coca-Cola Company, PO Box 1734, Atlanta, Georgia 30301, United States of America.

#### **24 Non adjusting events after the financial period**

On the 28th February 2017 the Company issued a dividend to its sole shareholder, Fresh Trading Limited, amounting to £50,000,000.