

Registration number: 04007092

Innocent Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018



INNOCENT LIMITED

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INNOCENT LIMITED

Company Information

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

INNOCENT LIMITED

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principle Activities

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

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.

Group performance

As the Company has a number of subsidiaries across Europe, in discussing the development and performance of the Company, it is considered appropriate to present below the key performance indicators of the parent entity Fresh Trading Limited and its subsidiaries together with the key performance indicators of all subsidiaries of the Company on a consolidated basis ("the Group").

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

	2018 Unaudited £m	2017 Unaudited £m	Change %
Group turnover	397.6	369.9	7.5
Group operating profit/(loss)	7.0	(9.4)	-
Group operating (loss)/profit - excluding movement in the fair value of unrealised derivatives**	(4.4)	4.0	-
Group tax charge	(1.6)	(1.8)	(11)
Group profit/(loss) after tax	5.4	(11.2)	-
Group shareholder funds	55.9	50.0	12
Group charitable donations	1.7	2.1	(19)
Average number of employees***	487	448	9

* IFRS 15 adjustments in 2018 where £10.5m of customer payments previously classified as direct marketing spend are now classified as a deduction from revenue.

** the gain arising from the movement in fair value of unrealised derivatives in 2018 amounted to £11.4 million (2017: loss of £13.4 million).

*** based on actual headcount

The year ended 31 December 2018, was another successful year for innocent. With the majority of people in Europe still falling short of the 5 a day target, we are proud that we delivered more than 1 billion portions of fruit and vegetables to our drinkers, with over 47 million people enjoying one of our healthy drinks (+2 million on last year). We launched into new markets including Iberia and Italy and expanded into two new product segments, launching our gazpacho and dairy free ranges. We now operate across five different segments as we diversify beyond smoothies and juices to bring our healthy drinks vision to life.

This all enabled us to grow our turnover by over £28m year on year and over £38m once taking into account the impact of the adjustment that related to IFRS 15 as described above (+10% compared to the previous financial year). innocent is the brand driving the most growth in Europe, with share gains in virtually every country and every segment that we operate in. Most notably, we became the #1 chilled juice brand in France, having held less than 5% market share 5 years ago.

We delivered operating losses after excluding the movement in fair value of derivatives, in line with our plan as we invested substantially in long term growth opportunities. Most notably, we have invested in establishing operations and teams in both Japan and China, as we prepare for launches in those markets. We have weathered negative currency movements and increased raw material prices, with 2018 suffering the effects of the worst apple harvest in over a decade which put significant pressure on operating margins.

INNOCENT LIMITED

Strategic Report for the Year Ended 31 December 2018 (continued)

Despite the economic winds against us, we remain resolute to our commitment to doing business in the right way. A way that's better for people and better for the planet. Since becoming a B Corp* in 2018 the movement has grown significantly across Europe, tripling in size in the UK since 2015. There are now 187 certified UK B Corps and increasing awareness amongst retailers, suppliers and consumers with Waitrose launching a virtual B Corp aisle as part of B Corp February month which included over 90 products. In 2018 we took the decision to add our annual B Corp score to our company scorecard, linking our financial reward to our B Corp rating, making us a business that's truly a force for good.

Our commitment to give 10% of profits to charity has enabled us to keep supporting meaningful causes. Once again, we contributed £1 million to the innocent foundation, who continue their ground-breaking work to help the world's hungry through a broad portfolio of research projects. The foundation has helped over 820,000 hungry people in 38 countries since 2004. This year, the innocent foundation joined 'No Wasted Lives', a global coalition of UN and government agencies and leading hunger charities and foundations who work together to stop children dying from hunger. Closer to home, we gave £400,000 to age concern charities across Europe as part of our Big Knit campaign, helping older people overcome the challenges of winter and loneliness. A further £300,000 was donated to promote the benefits of growing your own vegetables in schools.

Since innocent was founded in 1999, our mission has always been to get our healthy drinks to people in a way that keeps the planet healthy too. In 2018 we continued to do our bit to reduce our carbon impact and keep global warming below 2 degrees, hitting our target of carbon neutral direct operations and achieving a 5% reduction in our overall carbon footprint, a significant step towards our aim of a 25% reduction in total carbon footprint of our entire end-to-end supply chain by 2030. We did this by using more recycled plastic, 100% renewable electricity at more of our bottling sites and reorganising our logistics network to take miles off the road. We continue to work with our supply partners on everything from optimising transport mileage to minimising waste. All our efforts culminated in our sustainability team being recognised as the best in the business at the 'edie Sustainability Leaders awards'.

Our smoothies now come in our brighter bottle, made from 50% recycled material and 15% plant based material and we plan for our Juices to follow very soon. We first used recycled plastics in our bottles in 2003 and our goal is that by 2022 all our bottles will be made out of 100% renewable materials. We believe in building a circular economy for plastic, eliminating needless and non-recyclable plastic, then re-using and recycling the rest. All our packaging is fully recyclable and 2018 was focused on encouraging a recycling revolution to support the circular economy, getting more people recycling every bottle, every time, and giving it a broader voice within the industry by joining the UK Plastics Pact and Ellen MacArthur Foundation's Global Commitment on Plastics.

We are very grateful to the fantastic people we work with across our customers, suppliers and other partners for supporting us on our mission to prove business can be a force for good and helping us to deliver on our core purpose of making delicious, healthy, natural drinks that help ever more people live well and die old. And of course to the whole innocent team who make it all happen.

Despite the continuation of cost pressures and huge uncertainty from topics like Brexit, we are positive about the prospects for innocent. We will keep building the business for the long term, investing our profits in further new product ranges as we have done again this year, in the right way for the planet and people around us. More than ever, in these challenging times, we believe that business leaders and shareholders need to stand together to create meaningful change.

**B Corp is a business certified by the non-profit organisation B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.*

INNOCENT LIMITED

Strategic Report for the Year Ended 31 December 2018 (continued)

Company performance

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

	2018	2017	
	£ 000	£ 000	%
Turnover (continuing operations)	344,018	325,577	6
Operating profit	17,211	15,709	10
Profit for financial year	17,330	15,355	13
Shareholder's equity	66,631	49,300	35

** IFRS 15 adjustments in 2018 where £4.6m of customer payments previously classified as direct marketing spend are now classified as a deduction from revenue.*

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

Principal risks and uncertainties

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.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The Company aims to manage cash flow risk by monitoring and reviewing working capital.

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.

Currency risk

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. The Company aims to mitigate competitive risks by launching new products to markets to meet drinkers changing needs.

Litigation

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

INNOCENT LIMITED

Strategic Report for the Year Ended 31 December 2018 (continued)

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 2 July 2019 and signed on its behalf by:



J L Davenport
Company secretary and director

INNOCENT LIMITED

Directors' Report for the Year Ended 31 December 2018

Registered No. 04007092

The directors present their report and audited financial statements for the year ended 31 December 2018.

Results for the year and state of affairs at 31 December 2018

The Profit and Loss Account and Balance Sheet for the year ended 31 December 2018 are set out on pages 12 and 13 respectively.

During the year, the Company made a profit of £17,330,000 (2017: £15,355,000).

Shareholders' funds at 31 December 2018 amounted to £66,631,000 (2017: £49,300,000).

Directors of the Company

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

J L Davenport - Company secretary and director

D Lamont

S Mori (resigned 21 December 2018)

S Roche

Principal activity

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

Dividends

Following the directors recommendation, the Company paid an interim dividend of £NIL in respect of the financial year ended 31 December 2018 (2017: £50,000,000).

Charitable donations

During the year the Company made donations of £1,509,000 (2017: £1,695,000).

Employment of disabled persons

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.

Employee involvement

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.

Future developments

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

INNOCENT LIMITED

Directors' Report for the Year Ended 31 December 2018

Research and development

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

Branches outside the United Kingdom

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

Going concern

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 5.

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.

Important non adjusting events after the financial period

There have been no adjusting or non-adjusting events since the balance sheet date.


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 auditors

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 2 July 2019 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 UK law and regulations.

UK 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 UK 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

Opinion

We have audited the financial statements of Innocent Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCENT LIMITED (Continued)

Other information

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

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

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Continued /...

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCENT LIMITED (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

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.



Dermot Daly (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor

Dublin

Date: 3 July 2019.

INNOCENT LIMITED

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	5	344,018	325,577
Cost of sales		<u>(271,487)</u>	<u>(258,039)</u>
Gross profit		72,531	67,538
Distribution costs		(34,459)	(43,968)
Administrative expenses		<u>(20,861)</u>	<u>(7,861)</u>
Operating profit	6	17,211	15,709
Interest receivable and similar income	9	435	155
Interest payable and similar charges	10	<u>(230)</u>	<u>(435)</u>
Profit before tax		17,416	15,429
Tax on profit on ordinary activities	11	<u>(85)</u>	<u>(74)</u>
Profit for the year		17,331	15,355
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>17,331</u>	<u>15,355</u>

The above results were derived from continuing operations.


INNOCENT LIMITED

Balance Sheet

as at 31 December 2018

	Note	31 December 2018 £ 000	31 December 2017 £ 000
Fixed assets			
Intangible assets	12	990	992
Tangible assets	13	6,708	5,172
Investments	14	4,023	4,015
		<u>11,721</u>	<u>10,179</u>
Current assets			
Stocks	15	24,972	31,185
Debtors	16	92,651	72,699
Cash at bank and in hand	17	3,501	7,736
		<u>121,124</u>	<u>111,620</u>
Creditors: Amounts falling due within one year	18	<u>(65,360)</u>	<u>(71,085)</u>
Net current assets		<u>55,764</u>	<u>40,535</u>
Total assets less current liabilities		<u>67,485</u>	<u>50,714</u>
Creditors: Amounts falling due after more than one year	18	<u>(854)</u>	<u>(1,414)</u>
Net assets		<u>66,631</u>	<u>49,300</u>
Capital and reserves			
Called up share capital	19	0	0
Capital contribution reserve		51,746	51,746
Profit and loss account		14,885	(2,446)
Shareholders' funds		<u>66,631</u>	<u>49,300</u>

Approved by the Board on 2 July 2019 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 2018

	Called up share capital £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	-	51,746	32,199	83,945
Profit for the year	-	-	15,355	15,355
Total comprehensive income	-	-	15,355	15,355
Dividends	-	-	(50,000)	(50,000)
At 31 December 2017	-	51,746	(2,446)	49,300

	Called up share capital £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	-	51,746	(2,446)	49,300
Profit for the year	-	-	17,331	17,331
Total comprehensive income	-	-	17,331	17,331
At 31 December 2018	-	51,746	14,885	66,631

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 2018

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 2018 were authorised for issue by the board on 2 July 2019. 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) issued by the Financial Reporting Council ('FRC') and UK statute comprising the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018. The financial statements are prepared in Pound Sterling and are rounded to the nearest thousand Pounds (£ 000).

2 General information

The address of its registered office is:

Fruit Towers
342 Ladbroke Grove
London
W10 5BU

3 Accounting policies

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.

Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB) and with International Accounting Standards (IAS) and International Financial Reporting Interpretations Committees (IFRIC) Interpretations, but make amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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Notes to the Financial Statements

for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Basis of preparation (continued)

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.

The financial statements are prepared under the historical cost convention, except that as disclosed in the accompanying notes, derivative financial instruments are shown at fair value.

Summary of disclosure exemptions

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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (g) 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;
- (h) the requirements of IAS 7 Statement of Cash Flows; and
- (i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts and Customers.

The exemptions which the Company has availed of are disclosed in the consolidated financial statements of the ultimate parent company, The Coca-Cola Company.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Summary of disclosure exemptions (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption. The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18.

Principal versus Agent

Upon adoption of IFRS 15 the Company has designated its finished goods models as principal in accordance with the standard.

Volume rebates

Before the adoption of IFRS 15, the Company estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in Trade and other payables.

Under IFRS 15, modified retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold.

Upon adoption of IFRS 15, as at 1 January 2018, the Company noted that there were no changes to the retained earnings at 31 December 2017. The impact to the financial statement line items in the Profit and Loss Account and Balance Sheet in the current reporting period by the application of IFRS 15 as compared to IAS 18 that was in effect before the change was that customer payments previously classified as direct marketing spend were reclassified as deductions from turnover.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 prospectively, with the initial application date of 1 January 2018.

Revenue recognition

Recognition

The company earns revenue from manufacturing and distributing natural healthy drinks.

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

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from sale of goods:

Performance obligations

Revenue from the sale of goods is recognised in line with the contract when the significant risks and rewards of the ownership of the goods have been passed onto the buyer, usually on receipt by the buyer of the goods.

Transaction price

The transaction price is the retail price of the product less discounts, rebates, value added taxes and other sales taxes and duties.

The transaction price for variable payments is based on management's assessment of the most likely amount of consideration.

Where discounts to the contract price are applied the company presents these as a discount from contract revenue at the point in time the discount terms are met by the customer.

Payments to customer

On certain contracts payments to customers are made. These mainly comprise of listing fees, slotting fees and customer investments. Payments for the Company's product to be listed on-shelf are deducted from net revenue. Where the payments relate to a distinct good or service and its fair value is measurable, these are treated as separate costs.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Principal versus agent

The company has arrangements whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods to the customer. The company acts as a principal if it controls a promised good before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the company has in establishing the price for the specified good, whether the company has inventory risk and whether the company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the company is acting as a principal, revenue is recorded on a gross basis. Where the company is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Debtors

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. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due, leveraging inflation rates for the purposes of determining expected future losses. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the tax loss is recognised in the Profit and Loss Account within "Administration Expenses".

When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the same account in the Profit and Loss Account.

Cash and cash equivalents

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

Tax

The tax expense for the year comprises current and deferred tax.

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.

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:

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Tax (continued)

- 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.

Tangible Assets

Tangible assets are 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 tangible assets 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.

A tangible asset 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:

Asset class	Depreciation method and rate
Plant and machinery	4-12 years
Motor vehicles	4 years

Intangible assets

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 2018 (continued)

3 Accounting policies (continued)

Intangible assets (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:

Asset class	Amortisation method and rate
Software	3-5 years

Investments

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.

Stock

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.

Provisions

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.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Defined contribution pension obligation

The Company makes contributions to a defined contribution scheme on behalf of its employees. A defined contribution scheme is a pension scheme under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

Contributions are charged to the Profit and Loss Account as they become due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Deferred bonus accounting

The senior management team have a rolling 3 year bonus incentive plan, which commenced on 1st January 2016. The incentive plan at the grant date is comprised of four distinct awards, each with separate service periods of one, two and three years. The cost of each distinct award is recognised on a straight line basis over the relevant service period. One distinct award is comprised of a variable element, which is determined in the third year of the plan based on performance against Company metrics.

Foreign currency transactions and balances

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

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Financial instruments prior to 1 January 2018

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.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

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.

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.

Financial instruments effective 1 January 2018

Initial recognition

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.

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.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

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

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

Classification and measurement

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

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

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

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

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

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

Financial assets at amortised cost

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

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

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

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

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

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

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

Financial liabilities at amortised cost

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

Financial liabilities at fair value through the profit or loss

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

Derecognition

Financial assets

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

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

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

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

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

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

The Company measures loss allowances at an amount equal to the lifetime ECL.

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

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

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

4 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:

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its intangible and tangible fixed assets respectively. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charges will increase where the useful lives are less than previously estimated, or have been written down in value.

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.

5 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:

	2018	2017
	£ 000	£ 000
Sale of goods	<u>344,018</u>	<u>325,577</u>

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

5 Turnover (continued)

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

	2018 £ 000	2017 £ 000
UK	166,026	159,944
Europe	177,992	165,633
	<u>344,018</u>	<u>325,577</u>

Turnover by origin and destination are not materially different.

6 Operating profit

Operating profit is arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
<i>Included in administrative expenses:</i>		
Depreciation of tangible fixed assets	2,320	1,598
Amortisation expense	344	245
Loss on disposal of fixed assets	172	-
<i>Included in cost of sales:</i>		
Raw materials and consumables used	246,834	238,493
Derivative (gain)/loss	(11,358)	13,362
Write-down of inventory to net realisable value	1,523	1,693
Foreign exchange (gains) / losses	(18)	(825)
<i>Auditors' remuneration</i>		
Audit services	96	-
Taxation services	8	-
Operating lease - expenses - land and buildings	59	43

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

7 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	18,150	18,313
Social welfare costs	2,005	2,013
Other pension costs	563	562
	<u>20,718</u>	<u>20,888</u>

£184,172 (2017: £Nil) 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:

	2018 No.	2017 No.
Administration and support	73	78
Sales, marketing and distribution	<u>233</u>	<u>217</u>
	<u>306</u>	<u>295</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Aggregate remuneration in respect to qualifying services *	482	472
Aggregate contribution to pension scheme	7	7
Aggregate amounts receivable under new deferred bonus scheme **	<u>262</u>	<u>526</u>
	<u>751</u>	<u>1,005</u>

In respect of the highest paid director:

	2018 £ 000	2017 £ 000
Aggregate remuneration in respect to qualifying services *	274	269
Aggregate contribution to pension scheme	3	3
Aggregate amounts receivable under new deferred bonus scheme **	<u>164</u>	<u>358</u>
	<u>441</u>	<u>630</u>

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Directors' remuneration (continued)

* £11,000 (2017: £11,000) of remuneration includes cash supplements in lieu of pension contributions. The total amount in respect of the highest paid director was £7,000 (2017: £7,000)

** This is the total bonus value awarded for 2018 as well as a retrospective element from 2017 which had not been fully approved at the end of 2017. In accordance with the scheme rules, a proportion of the bonus amount is deferred and paid out in future years. £530,000 (2017: £427,000) of this amount was paid out in January 2019, with the remaining to be paid out in January 2020 and January 2021. The total amount paid out in January 2019 in respect of the highest paid director was £362,000 (2017: £292,000).

9 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest income on bank deposits	158	28
Income from participating interests	277	127
Total interest receivable and similar income	<u>435</u>	<u>155</u>

10 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Bank interest payable	83	16
Interest paid to group undertakings	147	419
Total interest payable and similar costs	<u>230</u>	<u>435</u>

11 Taxation

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

	2018 £ 000	2017 £ 000
Current income tax		
UK corporation tax on profits for the period	3,545	3,075
Group relief recoverable for no payment	(3,341)	(2,897)
UK corporation tax adjustment to prior periods	(105)	(184)
Double taxation relief	<u>(88)</u>	<u>(73)</u>
Total current tax	<u>11</u>	<u>(79)</u>
Foreign tax	88	73
Foreign tax adjustment to prior periods	<u>(14)</u>	<u>80</u>
	<u>74</u>	<u>153</u>
Total current income tax	<u>85</u>	<u>74</u>

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Taxation (continued)

	2018 £ 000	2017 £ 000
Deferred tax		
Arising from origination and reversal of temporary differences	(186)	(41)
Adjustments in respect of previous periods	(18)	10
Deferred tax asset not recognised	204	31
Total deferred tax	-	-
Tax expense in the profit and loss account	85	74

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	17,416	15,429
Corporation tax at standard rate	3,309	2,970
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	23	26
Increase (decrease) in current tax from adjustment for prior periods	(119)	(103)
Decrease (increase) from tax losses for which no deferred tax asset was recognised	234	69
Deferred tax expense (credit) relating to changes in tax rates or laws	(21)	9
Increase (decrease) arising from group relief tax reconciliation	(3,341)	(2,897)
Total tax charge	85	74

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 19%. This rate was reduced on 1 April 2017 to 19%, and then will be 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 2018 (continued)

11 Taxation (continued)

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

	31 December 2018 £ 000	31 December 2017 £ 000
Deferred tax assets		
Decelerated capital allowances	544	490
Deferred tax asset not recognised	(495)	(194)
Other timing differences	(49)	(296)
	<u>-</u>	<u>-</u>
Net asset disclosed in the balance sheet	<u>-</u>	<u>-</u>

12 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 1 January 2018	1,527	1,527
Additions	<u>342</u>	<u>342</u>
At 31 December 2018	<u>1,869</u>	<u>1,869</u>
Amortisation		
At 1 January 2018	535	535
Amortisation charge	<u>344</u>	<u>344</u>
At 31 December 2018	<u>879</u>	<u>879</u>
Carrying amount		
At 31 December 2018	<u>990</u>	<u>990</u>
At 31 December 2017	<u>992</u>	<u>992</u>

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Tangible assets

	Plant & Machinery £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2018	10,902	215	11,117
Additions	4,052	1	4,053
Disposals	(772)	-	(772)
At 31 December 2018	<u>14,182</u>	<u>216</u>	<u>14,398</u>
Depreciation			
At 1 January 2018	5,795	150	5,945
Charge for the year	2,285	35	2,320
Eliminated on disposal	(575)	-	(575)
At 31 December 2018	<u>7,505</u>	<u>185</u>	<u>7,690</u>
Carrying amount			
At 31 December 2018	<u>6,677</u>	<u>31</u>	<u>6,708</u>
At 31 December 2017	<u>5,107</u>	<u>65</u>	<u>5,172</u>

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Investments

Subsidiaries

£ 000

Cost or valuation

At 1 January 2017

4,006

Additions

9

At 31 December 2017

4,015

At 1 January 2018

4,015

Additions

8

At 31 December 2018

4,023

Carrying amount

At 31 December 2018

4,023

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Innocent ApS	Drinks sales and distribution	Denmark	100%	100%
Innocent AB	Drinks sales and distribution	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 Italia S.r.l.	Drinks sales and distribution	Italy	100%	100%
Innocent Iberia S.L.U.	Drinks, Sales and distribution	Spain	100%	0%

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

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Investments (continued)

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.

15 Stock

	31 December 2018 £ 000	31 December 2017 £ 000
Raw materials and consumables	14,065	20,643
Finished goods and goods for resale	10,907	10,542
	<u>24,972</u>	<u>31,185</u>

The replacement cost of stocks is not significantly different to the Balance Sheet amount.

16 Trade and other debtors

	31 December 2018 £ 000	31 December 2017 £ 000
Trade debtors	37,838	39,669
Loans to related parties	39,298	21,772
Prepayments	4,433	6,740
Other debtors	521	785
Other taxes	3,899	3,404
Derivative financial assets	6,336	-
Corporation tax asset	326	329
	<u>92,651</u>	<u>72,699</u>
Less non-current portion	<u>(841)</u>	<u>(1,281)</u>
Total current trade and other debtors	<u>91,810</u>	<u>71,418</u>

INNOCENT LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2018 (continued)

16 Trade and other debtors (continued)

Details of non-current trade and other receivables

£794,000 (2017: £1,281,000) of prepayments is classified as non-current. Amounts falling due after more than one year included in the above are derivative asset due to settle in 2020 of £47,000.

17 Cash and cash equivalents

	31 December 2018 £ 000	31 December 2017 £ 000
Cash at bank	3,501	7,736
Bank overdrafts	(7,716)	-
Cash and cash equivalents	<u>(4,215)</u>	<u>7,736</u>

18 Trade and other creditors

	31 December 2018 £ 000	31 December 2017 £ 000
Trade creditors	32,437	38,052
Accrued expenses and deferral income	17,975	18,701
Amounts payable to group undertakings	3,556	7,757
Social security and other taxes	3,351	1,364
Other creditors	1,179	1,552
Corporation tax creditor	-	51
Derivative liability	-	5,022
Bank overdrafts	7,716	-
	<u>66,214</u>	<u>72,499</u>
Less non-current portion	<u>(854)</u>	<u>(1,414)</u>
Total current liabilities	<u>65,360</u>	<u>71,085</u>

Amounts falling due after more than one year included in the above are derivative liabilities due to settle in 2019 of £Nil (2017: £384,000) and accruals for the employee bonus scheme of £853,697 (2017: £1,030,000).

INNOCENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

19 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

20 Loans and borrowings

	31 December 2018 £ 000	31 December 2017 £ 000
Current loans and borrowings		
Bank overdrafts	<u>7,716</u>	<u>-</u>

21 Obligations under leases and hire purchase contracts

Operating leases

The Company has entered into commercial leases on its Irish head office property. The lease has a duration of 10 years.

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

	31 December 2018 £ 000	31 December 2017 £ 000
Within one year	61	43
In two to five years	<u>244</u>	<u>-</u>
	<u>305</u>	<u>43</u>

22 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £563,378 (2017 - £561,612).

INNOCENT LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2018 (continued)

23 Commitments

Other financial commitments

The Company had a commitment of £48,836,814 (2017: £80,006,954) 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.

24 Financial instruments

Financial assets

Financial assets/(liabilities) 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	
	31 December 2018 £ 000	31 December 2017 £ 000
USD forward exchange contracts – unhedged	<u>6,336</u>	<u>(5,022)</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 2018 (continued)

25 Related party transactions

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

In the year ended 31 December 2018, 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 2018 of £6,336,000 (2017: loss of £5,022,000). The total notional value of contracts entered into through this arrangement in the year totalled 117,500,000 USD (2017: 124,300,000 USD), 4,200,000 EUR (2017: NIL EUR), (28,800,000) DKK (2017: NIL DKK), (30,000,000) SEK (2017: NIL SEK) and 7,539,000 CHF (2017: NIL CHF).

In 2018 the Company made a charitable contribution of £950,000 (2017: £950,000) and royalty payment of £50,000 (2017: £50,000) to the Innocent Foundation, a related party of the Company by virtue of common directors/trustees.

26 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.

27 Non adjusting events after the financial period

There have been no adjusting or non-adjusting events since the balance sheet date.