Costa Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Registration number: 01270695

COSTA LIMITED

Contents

COSTA LIMITED

Company Information

Registered number	01270695
Directors	J Carlin
	A Cook
	J Crookall
	G Mowat
	N Orrin
	P Schaillee (Belgian)
Company secretary	S Savjani
Registered office	3 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR, United Kingdom.
Statutory auditor	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

COSTA LIMITED

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic report on Costa Limited (also referred to as the "Company" or "Costa") for the year ended 31 December 2022. Where referenced, Costa Group and Costa Coffee refers to the Company and all of its directly and indirectly owned subsidiaries.

Principal activity
The principal activity of the Company during the year continued to be the production and sale of coffee. Coffee is sold through a chain of coffee shops, both owned and franchised, and to wholesale customers.

The Company aims to inspire the world to love great coffee by creating imaginatively-crafted coffee experiences for our consumers. Costa has established and continues to establish an international omni-channel strategy with equity stores, Costa Business-to-Business ('B2B') platform, fast-moving consumer goods ('FMCG') and ready to drink products, franchises and wholesale operations in Europe, Asia Pacific, the Middle East, the Americas, and Africa. The Directors believe that this omni-channel "Total Coffee Company" proposition will continue to further build on its international foundations.

Business review
The Company saw strong topline growth as it emerged from COVID-19 ('Covid') and delivered full year revenues of £1,117m, an increase of £194m (+ 21%) versus 2021. However the business faced increasing headwinds from the challenging economic environment and inflationary pressures that impacted both profit delivery and margins. As a result of the economic environment and inflationary pressures, in the second half of the financial year the Company launched a restructuring programme to address the scale of overheads and invest for growth.

In spite of the challenging trading conditions, the Company continued to invest in growth with total Capex spend of £70.5m.

2022 Performance highlights
The Company's key financial and other performance indicators during the year were as follows:

	2022 £'000	2021 £'000	Change %
Turnover (continuing operations)	1,117,450	923,174	21%
Operating profit/(loss)	8,262	(33,443)	125%
Profit/(loss) for financial year	243,005	(38,147)	737%
Shareholder's equity	374,260	227,606	64%
Capex for new store openings	18,916	25,153	(25)%

Operating profit improved year on year, primarily driven by increased turnover as the Company emerges from Covid and improved trading conditions. In addition, the Company recognised a reversal of equity store impairments recognised in the prior year.

The Company made a profit after tax of £243m (2021: loss of £38k), primarily driven by the operating profit and the receipt of dividend income of £245m (2021: £nil).

Shareholder's equity has increased year on year, primarily due to dividends paid to the Company's parent of £95m and dividends received from subsidiaries of £245m included profit after tax.

Principal risks and uncertainties

Brand perception

Risk: A long-term decline in the consumer perception of the Company's brand impacts its ability to grow and achieve appropriate levels of return.

Mitigation: The Company ensures that it has a well-known brand that is well marketed to consumers. In the core UK market, with a large database of loyalty consumers, perception and performance data is significant and accessible, and drives marketing investment decisions. Across all key markets, regular consumer research is conducted to measure brand sentiment, net promoter score and market share, in order to constantly check brand performance. As a total coffee company, the Company's brand perception is built through multiple touchpoints including store experiences and FMCG products, as well as self-serve (Express) and B2B experiences. Marketing spend therefore is wide-ranging across stores, digital programmes, grocery shopper environments and advertising to ensure brand awareness and equity are continually invested in. This enables ongoing adjustments to marketing investment to ensure brand and business objectives are met.

Political and economic climate impact

Risk: Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending and inflation pressure impacting growth plans. The impact of Brexit has resulted in disruptions to coffee exports, raw material imports, the availability of labour, an increased financial exposure on foreign exchange and duty tariffs, and a UK supply base that is not prepared for the changes in regulatory framework relating to the export of composite food or food contact materials. The global inflation on commodities and the high CPI in the UK results in cost of goods sold pressures.

Mitigation: There is a rigorous business planning process in place which considers many scenarios with appropriate responses. The Company also has strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and significant progress is being made with the Company's efficiency programme that aims to offset rising costs and provide funds for reinvestment.

The Brexit risk identified and the Company's mitigations are split between macro-economic risks relating to consumer attitude and behaviour, and micro-economic risks relating to the export supply of roasted coffee, raw material imports, the hiring and retention of labour, plus financial related risks around foreign exchange and duty tariffs. Contingency plans are in place and continue to evolve with our major suppliers to help maintain the supply of key product lines and alternatives. As an indirect subsidiary of the The Coca-Cola Company, Costa procurement is also working to help mitigate cost increases as well as identify additional supply contingency options. The Costa Group has established third party roasting, manufacturing, and warehousing relationships to service its growing international customer base. Costa now has a team of Trade Compliance, Food Safety and Sustainability professionals to ensure we are appropriately positioned against an evolving regulatory landscape in the territories in which we operate.

Roastery

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

Mitigation: The workforce at the roastery is long standing and experienced thereby mitigating this risk and use is made of an independent risk engineering report. There is also a contingency plan which includes roasting coffee elsewhere if required, this supplier regularly grinds and packs coffee for our business. In addition to holding sufficient stocks of roasted beans, we also have a selection of coffee roasters that regularly roast-pack coffee on our behalf for local markets.

Climate Change

Risk: Climate change may impact coffee bean prices and availability.

Mitigation: During the second half of 2023 the Company began its review of potential risks that may result from climate change and that could potentially impact its business; the review is expected to conclude by the end of 2023. An update on this work and any changes to principal risks and uncertainties associated with climate change will be provided in the Company's next Strategic Report. Further information on climate change is available in the Sustainability section below.

Principal risks and uncertainties (continued)

Staff engagement and retention

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

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

Global Pandemic

Risk: A global pandemic results in significant uncertainty for the UK/global economy.

Mitigation: Ensuring the safety of its employees, customers, and consumers, whilst adhering to government and local guidelines, was the Company's number one priority during the Coronavirus (COVID-19) global pandemic that began in 2020. The Company's Directors also took steps to protect the business and manage cash through the crisis in order to ensure that the business emerged from it stronger and ready to grow in the future. The procedures and learnings developed as a consequence of the COVID-19 pandemic continue to form part of the Company's ongoing approach to its disaster recovery and risk planning.

Cyber and data security

Risk: A data breach could result in loss of income and/or reputational damage and/or consumer confidence and/or regulatory fines.

Mitigation: A series of IT security controls are in place, including Email/Web Protection, 2 Factor Authentication, End Point protection, Segmentation, DLP, WAF & DDOS protection including Perimeter controls and Web and Mobile Assets along with Threat Intelligence Services. The principle of secure by design is applied. A suite of information security and data privacy policies and standards are in place, and regular phishing campaigns are conducted along with penetration testing of critical assets and red team exercises. A continuous security improvement programme is in place to improve technical controls which include continuous monitoring. The industry recognised NIST Framework is applied, ensuring adequate controls are in place to detect, protect, respond, and recover from a security incident.

Principal risks and uncertainties (continued)

Change management

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

Mitigation: The Company has an ongoing extensive programme of change, supported and coordinated by regional, functional and central transformation teams. Change programmes include developing and rolling out enabling systems in Finance and Supply Chain, at point of sale, as well as customer relationship management and human resource systems to improve end to end processes and facilitate evolving business models. This is alongside the Company's on-going efficiency programme, as well as continuous upgrading of digital capability and customer propositions, enabling Costa to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, internal project delivery expertise and capability has been significantly enhanced, augmented with third party expertise where required. Governance and control frameworks are in place, coupled with regular reporting to the Executive Committee.

Invasion of Ukraine

On 8 March 2022, the Company's ultimate parent, The Coca-Cola Company, announced the suspension of its business in Russia as a result of the conflict in Ukraine. After making enquiries, the Directors do not expect this suspension of business to have a material adverse impact on the Company's business.

The Wates Corporate Governance Principles

As required by the Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to report on which corporate governance code had been applied in the financial year. In 2019 the Company adopted The Wates Corporate Governance Principles for Large Private Companies (the Principles). Details of how the Company applied the Principles during the year can be found below in this report.

1.Purpose and leadership

Purpose

The Company's purpose is to inspire the world to love great coffee, and its vision to become the world's most loved coffee brand. These are regularly communicated to its employees, and the Directors believe that the Company operates with a clear sense of purpose and collective vision.

Values and culture

The Company's continued growth and success depends on our shared values of passion, warmth, courage, and trust. The Company's Code of Conduct captures our business practices and behaviours and helps our employees to understand what we value. Everyone at Costa has a part to play in upholding our values and be committed to delivering the highest of standards, by bringing passion and warmth to work, and by respecting our teams and customers.

Costa advocates passionately for inclusion and diversity and believes that everyone should be able to bring their whole selves to work. From team members to board members, Costa celebrates individuality and encourages a community where everyone is welcomed and free to be themselves.

The Wates Corporate Governance Principles (continued)
1. Purpose and leadership (continued)
Values and culture (continued)

The Company's Human Rights Policy applies to the Company and also expects franchise partners and suppliers to uphold the principles and encourages them to adopt similar policies within their own business. Overseen by the Board, the policy is guided by international human rights principles encompassed by the Universal Declaration of Human Rights and covers:

- Diversity and inclusion
- Safe and healthy workplace
- Work hours, wages and benefits
- Freedom of association and collective bargaining
- Workplace security
- Land rights and water resources
- Child labour
- Forced labour and human trafficking
- Healthy lifestyles

The Company recognises that we are part of the communities in which we operate. We engage with communities on human rights matters that are important to them such as land rights, access to water and health. We also engage with people in those communities, including indigenous people as well as other vulnerable and disadvantaged groups. Our aim is to ensure through dialogue that we are listening to, learning from, and considering their views as we conduct our business. We believe that local issues are most appropriately addressed at the local level. Where appropriate, we engage with a wide range of civil society and stakeholders on human rights issues related to our business. This includes issues in our Company, across our value chain and with our various sponsorships, through which we seek to promote respect for human rights.

The Company strives to make a positive impact in its communities. By supporting the Costa Foundation charity, the Company helps to fund the construction of brand-new schools that give whole communities a better future. During the year, the Company celebrated the work of the Costa Foundation with the opening of the hundredth school funded by the Foundation. In total, the Foundation has funded over 900 classrooms and 73 libraries in 10 countries, giving over 120,000 people access to education. Further details can be found in the 'Coffee with Commitment' section of the Costa website and at www.costafoundation.com.

The Company's leadership model not only defines the behaviours that we expect of each other and those we lead and inspire, but how we behave with our customers, consumers, and partners. The Company's annual employee survey is used to monitor its employees' perceptions of the extent to which its values are exhibited by the Company's management and team members; this is further monitored via 'pulse' surveys throughout the year.

Strategy
The Company aims to produce and serve the best, hand-crafted coffee and fresh food to customers through an omni-channel strategy, platforms, products and digital offerings.

The Company's strategy and Long-Range Plan are regularly discussed by its Executive Committee. The Long-Range Plan is focused on building the Costa brands' global brand preference and differentiating Costa from its competition as a total coffee company by virtue of the range of platforms available to distribute coffee.

The Wates Corporate Governance Principles (continued)

1. Purpose and leadership (continued)

Strategy (continued)

Costa Coffee is a responsible business committed to minimising our impact on the environment and promoting good environmental practice, and, as a founding signatory to the British Retail Consortium's Climate Roadmap, committed to tackling climate change.

The Company's environmental policy statement sets out our approach to managing our environmental impact. We aim for continual improvement in mitigating our direct environmental impact, reducing use of natural resources, and preventing pollution. We will apply this policy to all of Costa's activity in the UK, at sites where the company has direct operational control.

The Company's energy policy statement aims to achieve continual improvement in our energy efficiency whilst increasing the business's overall sustainability in line with the Global Environment Policy. The policy is applied to Costa's activities within the UK and Ireland business at sites where the Company has direct operational control.

The Company continued to progress its plans to deliver its science-based reduction targets to reduce absolute scope 1, 2 and 3 GHG emissions by 2030. This included a glidepath with KPIs and year on year reduction goals to help the Company focus and track its progress to the overall 2030 goal.

2. Board composition

The Board's size and composition is appropriate for businesses of a comparable size and scope, and reflect the balance and expertise needed to successfully manage the Costa business, address the strategic needs of the Group, and promote efficient decision-making. The CEO resigned on 31 July 2022, the interim CEO was not a board member; the new CEO was appointed on 11 April 2023.

As the Company is a wholly owned subsidiary of The Coca-Cola Company, the Board does not consider it necessary to separate the roles of the Chair and CEO. The CEO is the main liaison with The Coca-Cola Company and has regular communication with its representatives.

The Company is the parent company of a number of subsidiaries which operate various Costa branded businesses. The day-to-day management of the Group is delegated to an Executive Committee that include the Board members and comprises the:

- Chief Executive Officer
- Chief Digital and Information Officer
- Chief Finance Officer
- Chief Marketing Officer
- Chief People Officer
- Chief Supply Chain Officer
- General Counsel
- Global Strategy Director
- Managing Director Europe and Middle East and North Africa
- Managing Director International
- Managing Director UK and Ireland

The Wates Corporate Governance Principles (continued)
2. Board composition (continued)

Balance and diversity
Costa is committed to providing equal opportunities throughout its Board appointments, including in the recruitment, training, and development of Board members. The Board is committed to providing equal opportunities and ensures all Board members are aware of their obligations in ensuring that the Company's environment retains a culture which is conducive to good working and high performance.

Costa is committed to a diverse leadership team comprised of directors from different backgrounds with relevant experience, perspectives, skills and knowledge. We believe that diversity, amongst directors and employees contributes towards a high-performing and effective leadership team and business and promotes the Company's ongoing success.

The Executive Committee has a broad range of skills, background, experience, and knowledge. Its structure ensures that all main business units and functions in the Group are represented and involved in key decisions.

Board effectiveness
Costa undertakes an annual Board evaluation to consider the effectiveness of the Board. The Board is competent and well run ensuring high quality decisions that address diverse customer and stakeholder needs. Where necessary to enhance knowledge in specific areas site visits are arranged to enable Board members to see operations first-hand to enhance understanding of all Costa Group platforms and growth in our international business. Further information on how the Board fulfils its duties in relation to stakeholders, including employees, customers, and communities, can be found in our Section 172(1) statement, below.

3. Director responsibilities
The Executive Committee has representation from all of the main business units and functions in the Group It holds a weekly meeting to review recent trading and current priorities and meets one or two days each month to consider more strategic matters. The Board considers that the size and structure of the Executive Committee is appropriate to meet the Group's strategic needs and enable effective decision making.

Accountability and responsibility for decisions are closely defined in a detailed Delegation of Authority (DOA). The DOA sets out a robust internal control process via the requirement for a "request for approval" for important matters such as capital expenditure; acquisitions and sales of retail property and leases; asset impairments; treasury and financing matters; supply, purchase, and service agreements; marketing commitments; and income generating agreements.

Each of the Group's main business units are subject to a detailed business review meeting each quarter. Certain members of the Executive Committee attend the review and discusses budgets, performance, strategy, and any capital expenditure along with current issues and opportunities of the business.

The Executive Committee receives financial and non-financial information on a regular and timely basis. Financial information is produced from the Company's accounting ledgers and supporting systems, and its production is managed by the Finance team who are appropriately qualified to verify its integrity.

The Remuneration Committee sets the Company's policy towards the remuneration of all of its employees. This is discussed further in the Remuneration section below.

4. Opportunity and risk
The Executive Committee receives regular financial reports and data to assist in monitoring the performance of the business and make informed decisions. The Executive Committee regularly considers all opportunities to grow the business and create long term value.

The Company has put in place a Risks and Controls Matrix framework, with control owners required to attest to the effective operation of their controls on a monthly, quarterly, or annual basis.

The Board and Executive Committee regularly review the principal risks and uncertainties of the Company and how these are mitigated, refer to the Principle Risks and Uncertainties section above.

The Wates Corporate Governance Principles (continued)

5. Remuneration

The Company regularly reviews the pay and remuneration of employees in comparable roles in its sector and more broadly in the case of functional roles. Remuneration for Directors and senior management is directly linked to performance both at an individual and Company level and is designed to incentivise the delivery of the Company's strategy. Remuneration is also designed to attract and retain the calibre of individuals required to meet the Company's objectives.

A Remuneration Committee comprising the Chief Executive Officer, Chief Financial Officer, Chief People Officer, and representatives of The Coca-Cola Company sets the Company's policy towards the remuneration of all of its employees, including the level of any annual pay increases and design of employee incentive schemes. The appointments and remuneration of all senior employees require the approval of the Committee's members.

6. Stakeholder relationships and engagement

The Company and the Directors are committed to fostering strong relationships and engagement with Costa's stakeholders. These are discussed within the Section 172 Statement of the Strategic Report below.

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company.

This Section 172 Statement explains how the Directors have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its member as a whole, and in doing so have regard (among other matters) to:

• the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;

• the desirability of the Company maintaining a reputation for high standards of business conduct; and

• employee interests, the need to foster the Company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Ahead of matters being put to the Company Board for consideration, significant levels of engagement are often undertaken by the broader business ahead of many of Costa's projects or activities.

Section 172 statement (continued)
The following summarises how the Directors have performed their duties during the period:

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

The Company's communication and engagement framework will also add to those activities, and create even more listening opportunities for our teams to get involved and shape business decisions. Team views and feedback are taken into consideration when considering organisational changes, employee remuneration and rewards and capital investments in store, operational and support service infrastructure. We have robust governance in place over all employee remuneration and reward matters, which are overseen by the Costa Remuneration Committee. There were no significant changes to remuneration or incentive structures during 2022.

Costa's values of Passion, Courage, Warmth and Trust and the required behaviour are reinforced throughout the Group through our recognition programmes and training - including our Code of Conduct, and leadership behaviours. Our independently run 'Speaking out Helpline' allows our employees to confidentially report anything that contravenes the Company's Code of Conduct or that is harmful to our team members, customers, or Costa Coffee's reputation.

The Directors advocate passionately for diversity in the Company's workforce, in the knowledge that this diversity helps the business to thrive in the communities it serves. Directors review diversity reporting for leadership roles including gender and ethnicity balance in shortlists and offers.

Customers
As the operator of a global brand, the views of the Company's B2B customers and end consumers are very important. Consumer views on our brand, product quality, product delivery and value for money are regularly assessed by the Directors and are considered in each subsidiary company's product and supply chain planning, loyalty programs, store operating models, digital offerings, and other areas. In key markets, the Company conducts a quarterly report on brand equity to monitor consumers' views on Costa's mental, physical, and emotional availability, as well as an expression panel with loyalty customers. For new product launches, Costa undertakes research and listens to consumers to understand their views.

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

Shareholder's and other capital providers
The Company and the Costa Group was acquired by European Refreshments Unlimited Company, a wholly owned subsidiary of The Coca-Cola Company, on 3 January 2019. The Company only has debt with fellow Costa Group subsidiaries, meaning that the interests of all capital providers are aligned.

Community and the environment
The Directors have implemented sustainability practices, planning and initiatives that operate with the guiding principle to inspire the world to love great coffee. This year the Costa Group launched its new corporate sustainability programme 'Coffee with Commitment'. This new programme is the Company's action plan to drive positive change in the areas where we can have the greatest impact and that matter most to our teams, suppliers, partners, and consumers. It sets out four global priorities - Coffee; Cups and Packaging; Climate; and Communities. These priority themes are supported by other important issues we are seeking to progress: Other Ingredients; Nutrition; Resources; and People.

Section 172 statement (continued)
Community and the environment (continued)
Coffee
Costa recognises that to have a sustainable coffee business it needs to invest in a sustainable coffee supply, ensuring that coffee is grown in a way that protects the environment and allows the communities growing its coffee to thrive. During the year the Company continued to source coffee from Rainforest Alliance certified farms. The Rainforest Alliance is a non-profit organisation, working to create a future in which people and nature thrive in harmony. By working together with farmers, businesses and consumers, its aim is to protect forests, improve the livelihoods of farmers and farming communities, and help them adapt to climate change. Although the Company can have an impact on its own, it knows that it can achieve much more when it works together with our suppliers, knowledgeable partners, and the wider coffee industry. Over the coming years, Costa commits to openly sharing the learnings from its current and future coffee sustainability projects, as well as being inspired by the work of others around it.

Cups & packaging
The Company knows that packaging is a complex issue, and is proud of the steps it has taken to reduce its environmental impact so far, and committed to working together with its suppliers, partners, and the wider industry to drive further progress in future. Costa's ambition is to create circular packaging solutions. This means removing any packaging it does not need from its products, removing any chemicals that might damage the planet, recycling materials into new packaging to give it a longer life, and creating opportunities for refilling and reuse. Ultimately, Costa believes that the best way to create a more sustainable future for packaging is to move towards reuse. The Company works to make it easier for its customers to choose reuse, with innovative solutions and additional incentives like discounts helping to seal the deal. During the year the Company trialled 100% fibre lids in 150 Costa stores across the UK and in its Costa Express machines at 25 Shell sites in the UK. The lids are recyclable in store, and the Company estimates that they have up to 50% lower carbon footprint than the current polystyrene plastic version. The Company's reusable cup trial in 14 of our stores in Glasgow also concluded successfully. Costa is now progressing the learnings from these trials.

Climate
Costa remains committed to the British Retail Consortium's Climate Roadmap as one of the founding signatories and progressing its science-based reduction targets: to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year and to reduce scope 3 GHG emissions 50% per coffee serving within the same timeframe. This included a glidepath with KPIs for major 'hotspots' (milk, green coffee, food, utilities) and year on year reduction goals to help the Company focus and track its progress to the overall 2030 goal. The Company also formally wrote to all of its suppliers asking them to support its reduction goals including an expectation that they set their own targets by the end of 2025. Further details are available on the Company's website.

Community
Costa aims to listen and really understand the most important issues and topics that matter to its communities, because the people it serves know what they need better than it does. In coffee growing regions the Company knows from in-depth research and conversations that the best way to make a positive impact is by providing them with access to a safe, quality education. By supporting the Costa Foundation charity Costa helps fund the construction of brand-new schools that give whole communities a better future. During the year, the Company celebrated the work of the Costa Foundation with the opening of the hundredth school funded by the Foundation.

COSTA LIMITED

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement (continued)
Principal Decisions
The Company defines Principal Decisions taken by the Board as those decisions in 2022 that are of a strategic nature and / or significant to any of our key stakeholder groups. Our key stakeholders are shareholders, employees / workforce, communities, customers, and strategic partners

As well as the approval of budgets and strategic plans, the principal decisions made during the year related to the approval of capital expenditure, the sale of businesses, and the declaration and payment of a dividend.

Capital expenditure
Finance ERP
Costa is continuing its journey to transform finance processes and capabilities across accounts, purchasing and invoicing, further enhancing the cloud-based Microsoft Dynamics 365 solution to streamline, simplify and automate processes. Aligned to this, Costa is deploying Microsoft's Dynamics 365 Business Central solution across its international entities, beginning with Poland in 2023. In addition, GEP is being deployed for 'source to contract' processes to further standardise and implement controls across sourcing, contracting and supplier registration.

Store Infrastructure
The Company has made capital investment to replace out of date manual processes with a digital technology platform to enable automation, data insight and auditability for the Baristas working in the stores.

Costa in now running on a modern, cloud-based solution across its UK stores replacing the legacy fixed lines. Store network capability now means that Costa can develop and roll out the next generation of digital services for both operations and consumers. The new platform is able to support growth, scale, and other store services such as payments and Internet of Things.

Digital Capability
In an increasingly competitive landscape with consumer habits remaining irregular and disrupted following the pandemic and new commuting and consumption patterns, establishing digital and loyalty capabilities are critical to acquire, retain, and grow market share in key markets, especially in the UK. With aging digital platforms the Technology and Digital teams have been looking to the future to transform the capability to more easily activate and leverage our unique first party data, automate manual tasks, and segment and personalise our messaging to consumers at a level not possible currently. This means speaking to consumers about the right things, at the right time, and in the right channels - meeting them where they are. For loyalty, this means targeting offers and benefits to optimise outcomes alongside rewarding the behaviours we seek, allowing us to optimise discount spend and grow membership in our highest value segments. This will also reinforce our position as a partner of choice for our customers and franchise partners. The transformation is in progress with campaign and experience orchestration platforms currently shortlisted for further business, technology, and commercial assessment as part of our first RFP in the transformation programme.

IT Service Contracts
During the period the Company successfully completed its transition to new supplier contracts for the provision of hosting, IT and network services.

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

COSTA LIMITED

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement (continued)
Principal Decisions (continued)
Sales of Businesses
In 2021 and 2022, Costa Limited incorporated several companies with the business purpose to hold the assets relating to a number of retail stores for sale via the sale of these companies. Costa Limited reached agreement to sell a number of their retail stores to Tilly's Coffee Limited which were completed over three tranches on 18 November, 2021, 17 February 2022 and 26 May 2022. Costa Limited reached agreement to sell a number of their retail stores to Scoffs (Cornwall) Limited which were completed over two tranches on 17 February 2022 and 11 August 2022. Both of these transactions were completed by way of share sales involving the sale of the subsidiary companies that were incorporated by Costa Limited, shortly after the assets relating to the relevant stores had been transferred to them.

Dividends
On 2 November 2022, the Company paid a dividend of £95 million (£1.04 per share) to its parent, European Refreshments Unlimited Company.

Approved by the Board on 28 September 2023 and signed on its behalf by:

DocuSigned by:
N. Orrin
589CCAAFD5C7442...
N Orrin
Director

COSTA LIMITED

Directors' Report for the Year Ended 31 December 2022

Registered No. 01270695

The Directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity
The principal activity of the Company during the year continued to be the production and sale of coffee. Coffee is sold through a chain of coffee shops, both owned and franchised, and to wholesale customers.

The Company aims to inspire the world to love great coffee by creating imaginatively-crafted coffee experiences for our consumers.

Directors and secretary of the Company
The Directors who held office during the year and to the date of this report (except as noted) were as follows:

A Cook (appointed 6 January 2022)

R Cornella (American) (resigned 30 April 2022)

J Crookall

N Lake (Australian) (resigned 31 January 2023)

G McDonald (resigned 31 July 2022)

G Mowat

J Carlin (appointed 10 February 2023)

N Orrin (appointed 6 April 2023)

P Schaillee (Belgian) (appointed 11 April 2023)

The secretary who held office during the year and to the date of this report was as follows:

S Savjani

Corporate governance
As required by the Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to report on which corporate governance code had been applied in the financial year. In 2019 the Company adopted The Wates Corporate Governance Principles for Large Private Companies (the Principles). Details of how the Company applied the Principles during the year can be found below in this report.

Dividends
On 2 November 2022, the Company paid a dividend of £95 million to its parent, European Refreshments Unlimited Company (2021: £nil).

Employment of disabled persons
Costa has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities. The Company takes its responsibilities to the disabled seriously and seeks not to discriminate under any circumstances (including in relation to training, career development and promotion) against current or prospective employees because of any disability or for any other reason. Fair and full consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Employees who become disabled during their career at Costa will be retained in employment wherever possible and given help with rehabilitation and training.

Employee involvement
The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Costa Group of companies operating businesses maintains employee relations and consults employees as appropriate to its own needs. In addition, our employee opinion survey, 'How's it going?', is conducted regularly to provide insight into the views of employees.

COSTA LIMITED

Directors' Report for the Year Ended 31 December 2022 (continued)

Employment Policies
Costa has robust employment policies in place to ensure equality of opportunity for all employees and potential employees regardless of disability, age, diversity, gender, race, ethnicity, religion, pregnancies, married or civil partnership status and sexual orientation.

Anti-bribery
There are mandatory training modules and ongoing assessments for employees giving them the clear understanding of areas with bribery risks and how to mitigate them. The Company has procedures and policies on how it engages with suppliers and other third-party contractors to prevent bribery.

Modern Slavery Act
The Company's Modern Slavery Act 2015 statement is published on the Costa website. Costa and its subsidiaries have necessary measures to ensure that policies and procedures on slavery and human trafficking are not being practiced in its supply chain. Please refer to the Company's website for further information.

Future developments
No significant future developments are expected.

Events after the balance sheet date
On 21 September 2021, Costa Limited announced that it had reached an agreement to sell two of its companies, Costa Coffee Polska S.A. (a subsidiary operating retail stores in Poland) and SIA Coffee Nation (a subsidiary of Coffeeheaven Holdings Limited, indirectly owned by Costa Limited, and operating retail stores in Latvia), to Lagardere Travel Retail. The sale of the business was completed in the first quarter of 2023.

On 30 January 2023 the Company paid a dividend of £85 million to its parent, European Refreshments Unlimited Company.

On 1 November 2022, the Company and its parent company entered into a reciprocal loan agreement that runs between this date and 1 November 2023. During this period either Costa Limited or European Refreshments can request a loan of up to £200m that is repayable on demand or by 1 November 2023. On 3 May 2023, the Company loaned £70m to European Refreshments under this agreement.

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

COSTA LIMITED

Directors' Report for the Year Ended 31 December 2022 (continued)

Streamlined Energy and Carbon Reporting (SECR)

The Company has gathered data regarding scope one and scope two carbon emissions (as defined by the GHG Protocol) for the financial year spanning 1 January 2022 to 31 December 2022 from its UK operations for inclusion in Company Reporting (2022) as defined by the requirements of the Streamlined Energy and Carbon Reporting (SECR) legislation.

The total carbon emissions for the period were recorded at 26,513 tCO2e. This is an increase of 28% over the previous reporting period. The increase can be attributed to two main actions implemented to improve reporting (i) the addition of scope three emissions from the use of private cars for business and (ii) the review and inclusion of estimated electricity consumption (where not metered) has been improved.

The intensity rate for the period is calculated at 0.024 tC02e per £100,000 of revenue from the Company's group operations, this is an increase of 4% over the period.

Greenhouse gas emissions and energy use data

	31 December 2022	Restated as at 31 December 2021	Change (%)
Energy consumption used to calculate emissions (kWh)*	137,052,445	98,516,274	39%
Emissions from scope one fuels (tCO2e)	2,190	2,696	(19)%
Emissions from scope two purchased electricity (tCO2e)	23,922	17,984	33%
Emissions from mandatory scope three (tCO2e)	401	n/a	n/a
Total gross emissions in metric tonnes (tCO2e)	26,513	20,680	28%
Intensity ratio (tCO2e) per £100,000 of turnover	0.024	0.023	4%
Methodology	GHG Protocol	GHG Protocol	

* Note - Based on The Department for Business, Energy and Industrial Strategy (BEIS) guidelines, in FY22 the Company changed the factor used to calculate energy consumption used to calculate emissions of kWh above and restated its prior year comparative.

Costa is committed to reducing carbon emissions with commitment to reduce emissions per serving of coffee by 2030 and the achievement of Net-Zero by 2040.

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 13.

The financial statements have been prepared on a going concern basis as, having reviewed the current position and cash flow projections of the Company (including those of its subsidiaries), the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at the time of approving the financial statements. The Company has received a letter of support from its ultimate parent company, The Coca-Cola Company, stating its commitment to provide continuing financial support to enable the Company to meet financial obligations as and when they fall due covering a period of twelve months from the date of approval of the financial statements, but only to the extent that money is not otherwise available to meet such liabilities.

It is our view, to the best of our current knowledge, that the conflict in Ukraine will not have a material adverse impact on the Company's ability to continue as a going concern. Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Accounting Policies.

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

Price risk

Price risk is the risk that the movement in the price of key materials will adversely affect the profitability of the business. The Company minimises its exposure to price risk by entering in to forward contracts for its coffee beans and energy.

Credit risk and impairment

Credit risk is the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge an obligation. The Company is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties who demonstrate an appropriate payment history and/or with good credit ratings and who satisfy the Company's credit worthiness procedures. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date. The Company's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 19.

The Company minimises the risk of default in relation to cash and cash equivalents by spreading these deposits across a number of counterparties and dealing in accordance with The Coca-Cola Company Group Treasury Policy which specifies acceptable credit ratings and maximum investments for any counterparty.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Excess cash used in managing liquidity is placed on interest-bearing deposits and managed by The Coca-Cola Company Group Treasury team under the Group Treasury policy.

Cash flow risk

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

Foreign exchange risk

Foreign exchange risk is currently not significant to the Company and is managed by The Coca-Cola Company Group Treasury team under its Group Treasury policy.

Interest rate risk

Interest rate risk is currently not significant to the Company and is managed by The Coca-Cola Company Group Treasury team under its Group Treasury policy.

Capital risk management

The Company's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Company aims to maintain sufficient funds for working capital and future investment in order to meet its growth targets.

Litigation risk

Litigation or legal proceedings could expose the Company to significant liabilities and damage its reputation. The Company evaluates any litigation, claims and legal proceedings to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses and put in place procedures to mitigate such losses.

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. The Company will review any changes in laws and regulations that might impact the business to mitigate any such impacts.

Charitable and political donations

During the year, the Company made a corporate donation to The Costa Foundation totalling £80,000. During the year, the Company did not make donations to any political party or other political organisation and did not incur any political expenditure within the meanings of sections 362 to 379 of the Companies Act 2006 (2021: £nil).

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

Reappointment of auditor
The Company reviews and makes recommendations each year in accordance with section 485 of the Companies Act 2006 with regard to the appointment of an external auditor. During the year, Ernst & Young LLP resigned as auditor and was replaced by Ernst & Young, Chartered Accountants. The auditor, Ernst & Young Chartered Accountants, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 28 September 2023 and signed on its behalf by:

DocuSigned by:
N. Orrin
589CCAAFD5C7442...

N Orrin
Director

COSTA LIMITED

Statement of Directors' Responsibilities

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Approved by the Board on 28 September 2023 and signed on its behalf by:

DocuSigned by:
N. Orrin
569C6AAFD5D7442...
N Orrin
Director

EY

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA LIMITED

Opinion

We have audited the financial statements of Costa Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 32, 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained and evaluated management's going concern assessment which covers twelve months from the date of signing this audit opinion. The assessment included the Company's cashflow forecast for the going concern assessment period.
- We considered the appropriateness of the methods used to calculate the Company's cash flow forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the Company.
- We obtained and reviewed the letter of support that the Company has received from it's ultimate parent undertaking, The Coca-Cola Company, a company incorporated in the state of Delaware, United States of America. Financial support, if required, would be provided by the Company's immediate parent and subsidiary of The Coca-Cola Company, European Refreshments Unlimited Company ("European Refreshments"), a company incorporated in the Republic of Ireland. We assessed the financial capability of European Refreshments to provide this support and we noted no issue.

Building a better working world

- We reviewed the Company's going concern disclosures included in the financial statements to assess that the disclosures were appropriate and in conformity with the reporting standards and we noted them to be in order.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

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

Matters on which we are required to report by exception (continued)

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS101, International Accounting Standards, Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, HMRC regulations, UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.
- We understood how Costa Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We consider management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.

EY
Building a better working world

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

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud* 9continued)**

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
    - Inquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed;
    - Inquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims;
    - Inquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities;
    - Reading minutes of meetings of those charged with governance;
    - Inquiry of management over reports to whistleblowing hotlines;
    - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
    - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness agreeing back to source documentation or independent confirmations;
    - Using data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk;
    - Evaluating the business rationale of significant transactions outside the normal course of business; and
    - Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

Use of our report

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

Ernst & Young

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

Date: 28 September 2023

COSTA LIMITED

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	1,117,450	923,174
Other operating income	5	-	14,700
Operating costs		(1,127,615)	(943,114)
Net reversal/(impairment) of property, plant and equipment		4,764	(7,207)
Net reversal/(impairment) of right-of-use assets		9,736	(18,563)
Net reversal/(impairment) of investments		3,927	(2,433)
Operating profit/(loss)	**6**	**8,262**	**(33,443)**
Finance income	9	3,290	466
Finance costs	10	(10,486)	(9,393)
Income from shares in group undertakings		244,884	-
Profit/(loss) before tax		**245,950**	**(42,370)**
Tax (charge)/credit	12	(2,945)	4,223
Profit/(loss) for the year		**243,005**	**(38,147)**

The above results were derived from continuing operations.

COSTA LIMITED

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Profit/(loss) for the year		243,005	(38,147)
Items that may be reclassified subsequently to profit or loss			
Unrealised (loss)/gain on cash flow hedges before tax		(3,060)	1,087
Deferred tax on cash flow hedges		765	(6)
		(2,295)	1,081
Total comprehensive income/(loss) for the year		**240,710**	**(37,066)**

The notes on pages 28 to 65 form an integral part of these financial statements.

COSTA LIMITED

Statement of Financial Position as at 31 December 2022

Company number 01270695

Assets	**Note**	**2022 £ 000**	**2021 £ 000**
Non-current assets			
Intangible assets	13	11,888	18,625
Property, plant and equipment	14	223,959	206,013
Right-of-use assets	16	378,088	400,786
Investments in subsidiaries	17	165,749	161,038
Deferred tax assets	12	3,078	11,542
Lease receivables	19	21,476	13,306
		804,238	811,310
Current assets			
Inventories	18	31,713	29,393
Trade and other receivables	19	136,289	92,700
Assets held for sale	15	-	606
Income tax receivable	12	20,882	37,569
Derivative financial instruments	20	-	382
Cash and cash equivalents		230,519	217,472
		419,403	378,122
Current liabilities			
Current portion of long-term lease liabilities	28	(84,399)	(89,624)
Trade and other payables	21	(394,812)	(480,637)
Provisions	24	(5,130)	(4,804)
Derivative financial instruments	20	(3,696)	-
		(488,037)	(575,065)
Net current liabilities		(68,634)	(196,943)
Total assets less current liabilities		**735,604**	**614,367**
Non-current liabilities			
Long-term lease liabilities	28	(361,344)	(386,761)
Net assets		374,260	227,606
Equity			
Called-up share capital	25	91,258	91,258
Other reserves		122,426	123,777
Retained earnings		160,576	12,571
Total equity		**374,260**	**227,606**

Approved by the Board on 28 September 2023 and signed on its behalf by:

DocuSigned by:

N. Omn

N Omn 5696CAAFD5C7442...

Director

The notes on pages 28 to 65 form an integral part of these financial statements.

COSTA LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called-up share capital[1] £ 000	Other reserves[3] £ 000	Retained earnings[2] £ 000	Total £ 000
At 1 January 2021	91,258	121,670	50,718	263,646
Loss for the year	-	-	(38,147)	(38,147)
Other comprehensive income	-	1,081	-	1,081
Total comprehensive loss	-	1,081	(38,147)	(37,066)
Employee share plan charge	-	1,031	-	1,031
Tax on employee share plans	-	(5)	-	(5)
At 31 December 2021	**91,258**	**123,777**	**12,571**	**227,606**

	Called-up share capital[1] £ 000	Other reserves[3] £ 000	Retained earnings[2] £ 000	Total £ 000
At 1 January 2022	91,258	123,777	12,571	227,606
Profit for the year	-	-	243,005	243,005
Other comprehensive loss	-	(2,295)	-	(2,295)
Total comprehensive income	-	(2,295)	243,005	240,710
Dividends paid	-	-	(95,000)	(95,000)
Employee share plan charge	-	941	-	941
Tax on employee share plans	-	3	-	3
At 31 December 2022	**91,258**	**122,426**	**160,576**	**374,260**

[1] **Share capital**
Share capital comprises the nominal value of the Company's ordinary shares of £1 each.

[2] **Retained earnings**
Retained earnings comprises the accumulated net profits and losses retained after dividends and other distributions.

[3] **Other reserves**
Other reserves comprise the hedge reserve on financial derivatives, share-based payments, and capital contribution which arose upon acquisition by The Coca-Cola Company in 2019.

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

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

The address of its registered office is:
3 Knaves Beech Business Centre,
Davies Way, Loudwater,
High Wycombe,
Buckinghamshire,
HP10 9QR

These financial statements were authorised for issue by the Board on 28 September 2023.

2 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that as disclosed in the accounting policies, certain items are shown at fair value, and on the going concern basis.

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

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

The financial statements are prepared in pounds sterling ('£'), which is the functional currency, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis as, having reviewed the current position and cash flow projections of the Company (including those of its subsidiaries), the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at the time of approving the financial statements. The Company has received a letter of support from its ultimate parent company, The Coca-Cola Company, stating its commitment to provide continuing financial support to enable the Company to meet financial obligations as and when they fall due covering a period of twelve months from the date of approval of the financial statements, but only to the extent that money is not otherwise available to meet such liabilities.

It is our view, to the best of our current knowledge, that the conflict in Ukraine will not have a material adverse impact on the Company's ability to continue as a going concern.

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

In these financial statements, the Company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

(a) the requirements of IAS 7 Statement of Cash Flows;

(b) the requirements of IFRS 7 Financial Instruments: Disclosures;

(c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) the requirements of paragraphs 10(d), 10(f), 39(c), 40(a), 40(d), and 134-136 of IAS 1 Presentation of Financial Statements;

(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(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 with Customers;

(j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;

(k) the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;

(l) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and

(m) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because the share-based payment arrangement concerns the instruments of another group entity.

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

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition

Recognition

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

The following 5 step principles are applied to revenue recognition:

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

Sale of food and beverage

For retail, the contract is established when the customer orders the food or drink item, and the performance obligation is the provision of food and drink by the outlet. The performance obligation is satisfied when the food and drink is delivered to the customer, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

For the sale of Costa manufactured products, the contract is established when an order has been placed for the supply of manufactured goods by the customer, the performance obligation is the promise in the contract by the Company to manufacture distinct products for the customer for an agreed transaction price. The revenue is recognised when the title of ownership transfers from the Company to the customer.

Franchise fees, territory fees

The contract is the signed franchise agreement with the franchise partner. The performance obligation is the agreement not to open other stores within the territory and the right to use Costa intellectual property, and the fee agreed in the contract is the transaction price. The performance obligation is satisfied and invoiced on a monthly basis.

Government grants

Government grants are only recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are treated as 'other income' in the income statement and are recognised in the same period that the associated compensated expense is incurred.

Loyalty programme

For the sale of Costa manufactured products, the contract is established when an order has been placed for the supply of manufactured goods by the customer, the performance obligation is the promise in the contract by Costa Limited to manufacture distinct products for the customer for an agreed transaction price. The revenue is recognised when the title of ownership transfers from Costa Limited to the customer.

Finance income and finance costs

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

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

2 Accounting policies (continued)

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the the Company 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.

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

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

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

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

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

2 Accounting policies (continued)

Intangible assets

Internally generated intangible assets

Internally generated intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Development costs are incurred through the development of software used within the Costa Group. Costs incurred that are directly associated with designing or developing software are capitalised as internally generated software development costs within intangible assets and are amortised on a straight-line basis over its estimated useful life of three to ten years. Expenditure on internally generated software development costs will be capitalised if it can be demonstrated that:

- It is technically feasible to develop the software;
- Adequate resources are available to complete the software development;
- There is an intention to complete the software development for internal use;
- Expenditure on the project can be reliably measured.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred

Externally acquired intangible assets

Externally acquired intangible assets, acquired separately from a business, are carried initially at cost less accumulated amortisation and accumulated impairment losses. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

Amortisation is calculated on a straight-line basis over the estimated life of the asset as follows:

- Trademark, patents and licences have an indefinite life;
- Reacquired franchise rights are amortised over the life of the acquired franchise agreement;
- IT software and technology is amortised over periods of three to ten years;
- Acquired customer relationships are amortised over 15 years; and
- Operating rights agreements are amortised over the life of the contract.

Amortisation

Amortisation is calculated on a straight-line basis over the estimated life of the asset as follows:

Asset class	Amortisation method and rate
Internally generated software development costs	Over estimated useful life of three to ten years
Trademarks	Indefinite useful life hence not amortised

Property, plant and equipment

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

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

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

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

2 Accounting policies (continued)

Depreciation

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

Asset class	Depreciation method and rate
Land & buildings	Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years
Furniture, fittings & equipment	Over 1 to 20 years
Short-term leasehold property	Over the period of the lease
Plant and equipment	Over 4 to 7 years

Provision for liabilities

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

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

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.

Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Definition

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

2 Accounting policies (continued)

Leases (continued)

Initial recognition and measurement

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

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

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

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset as follows: -

- Properties 1 to 35 years
- Motor vehicles 3 to 7 years

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

The right-of-use assets are separately identifiable on the statement of financial position, the detail of which is in Note 16.

Subsequent measurement

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

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

2 Accounting policies (continued)

Leases (continued)

Sub leases

If an underlying asset is re-leased by the Company to a third party and the Company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease). After classification lessor accounting is applied to the sublease.

IFRS 16 Leases – COVID-19-Related Rent Concessions

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

• The revised consideration is substantially the same, or less than, the consideration prior to the change;
• The concessions affect only payments originally due on or before 30 June 2022; and
• There is no substantive change to other terms and conditions of the lease.

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

During the period, the Company has agreed rent concessions in the form of rent forgiveness where the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future. The Company has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the income statement. As a result, the Company has recognised £1,420,000 (2021: £3,662,000) in COVID-19-related rent concessions in the income statement within "Operating costs" in the current period.

Impairment of non-financial assets

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

The fair value less costs of disposal is calculated using a revenue multiple of 2.1 (2021: EBITDA multiple of 8.9). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate of 7.06%, (2021: 6.4%) which reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2 Accounting policies (continued)

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

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
Employees of the Company are entitled to participate in a contracted-in defined contribution pension scheme operated by the Company. Contributions to the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are managed independently to the finances of the Company.

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding Property, plant and equipment, right of use asset, intangible assets, deferred tax assets, prepayments and deferred tax liabilities.

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

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

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

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

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:-

2 Accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Company's financial assets at amortised costs include trade debtors, amounts owed from group companies and other receivables.

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.

The Company's financial assets at amortised costs include trade payables, amounts owed from group companies and other payables.

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.

2 Accounting policies (continued)

Financial instruments (continued)

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 income statement.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in the income statement 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.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

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

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 income statement.

Financial liabilities

If the terms of a financial liabilities are modified, the Company evaluates whether the cash flows of the modified liabilities 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 income statement.

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

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

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

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

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

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

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

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

Provisions for credit-impairment are recognised in the income statement 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.

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 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.

Derivatives and hedging
The Company enters into derivative transactions to manage its exposure to foreign exchange risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designed and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Company documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

• There is an economic relationship between the hedged item and the hedging instrument
• The effect of credit risk does not dominate the value changes that result from that economic relationship
• The planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss.

Derivatives and hedging (continued)
The Company discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Any gain or loss recognised in other comprehensive income and the accumulated cash flow hedge reserve remains in equity and is reclassified to profit or loss.
Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

2 Accounting policies (continued)

Investments
Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Cost is the fair value of the consideration given, including acquisition charges associated with the investment.

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Impairment of trade receivables is accounted for as per the requirements of IFRS 9.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written off through the inventory counting procedures conducted by internal and external parties for all warehousing locations. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales less selling costs using factors existing at the reporting date.

Assets held for sale
Non-current assets/disposal groups are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and its sale are highly probable. They are measured at the lower of its carrying amount and fair value less costs to sell. Non-current assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position.

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 as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

The following are the key judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Company's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment

Impairment tests of property, plant and equipment, intangible assets, right of use assets, investments in subsidiaries and amounts owed by group companies are conducted each financial period. In these impairment tests, the carrying value of assets are compared with estimates of their value in use or recoverable amount. In forming these valuation estimates assumptions are applied, in particular in assessing future cash flow generation from value in use, discounting those future cash flow estimates and fair value less costs to sell (FVLCTS).

The judgements and estimates underlying impairment testing have resulted in a reversal of impairment for property, plant and equipment of £4,764,000 in the year (2021: impairment of £7,207,000); reversal of impairment for intangible assets by £130,000 in the year (2021: impairment of £499,000) and a reversal of impairment for right of use assets of £9,736,000 (2021: impairment of £18,563,000). Investments in subsidiaries resulted in a reversal of impairment of £3,927,000 in the year (2021: impairment: £2,433,000); and provisions against amounts owed by group companies impaired by £3,925,000 in the year (2021: provision increase of: £14,201,000).

Loyalty points estimation

The Costa Loyalty Scheme awards beans to customers when purchasing any drink from a menu-board in-store or Costa Express Machine. The company evaluates the loyalty provision based on the fair value of beans and vouchers outstanding at the end of any financial period. The fair value is calculated using the estimated redemption rate, which is based on historic run-rates. As this is dependent on uncertain customer activity, the Company relies on using a level of judgement surrounding the timing of revenue recognition.

Stock provision

The company evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written off through the inventory counting procedures conducted by internal and external parties for all warehousing locations. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales less selling costs using factors existing at the reporting date.

Other provisions

The Company's other provisions are based on the best information available to management at the balance sheet date. Insurance comprises the estimated cost of current and potential claims from customers in store, where judgement is required to assess the likelihood of the success of any claim made against the Company and if any liability will arise. Restructuring comprises the estimated cost of announced store closures, including dilapidations and redundancies, where assumptions are used in estimating the ultimate cost and timing of cashflows to the Company. The Company has considered the factors used to calculate the VAT provision and has determined that they are not judgmental in nature, nor areas of estimation uncertainty.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Determining the lease term of contracts with renewal and termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Classification of leases
The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
-There is an identified asset;
-The Company obtains substantially all the economic benefit for use of the asset; and
-The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitutional rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRS rather than IFRS 16.

4 Revenue

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

	2022 £ 000	2021 £ 000
Sale of goods	1,084,382	893,851
Franchise fees	33,068	29,323
	1,117,450	923,174

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

	2022 £ 000	2021 £ 000
UK	1,090,643	908,987
Rest of world	26,807	14,187
	1,117,450	923,174

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £ 000	2021 £ 000
Government grants received	-	13,710
R&D credits	-	990
	-	14,700

Government grants in the prior year represent the grant received in relation to employee payroll costs under the UK Government job retention scheme for the period during which UK stores were closed.

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Operating profit/(loss)

Arrived at after charging/(crediting)

	Note	2022 £ 000	2021 £ 000
Inventory consumed		349,750	230,249
Turnover rent		26,332	13,179
Operating lease expense - short term leases	28	11,233	6,755
Right-of-use property asset depreciation	16	69,842	77,168
Right-of-use motor vehicle asset depreciation	16	5,479	5,531
Depreciation of property plant and equipment	14	50,644	49,314
Amortisation expense	13	10,374	11,198
Restructuring costs		10,016	(630)
(Net reversal of prior year impairment) / Net impairment of intangible assets	13	(130)	499
Provision for amounts owed by related parties		3,925	14,201
Foreign exchange (gain)/loss		(2,232)	1,719
COVID-19 related rent concessions	28	(1,420)	(3,662)
Profit on disposal of property, plant and equipment		(7,654)	(1,912)
Sub lease income	28	(546)	(808)

	Note	2022 £ 000	2021 £ 000
Impairment of property, plant and equipment		803	8,984
Reversal of prior year impairment property, plant and equipment		(5,567)	(1,777)
Net (reversal)/impairment of property, plant and equipment	14	(4,764)	7,207

	Note	2022 £ 000	2021 £ 000
Impairment of right-of-use asset		1,190	19,788
Reversal of prior year impairment of right-of-use-asset		(10,926)	(1,225)
Net (reversal)/impairment of right-of-use assets	16	(9,736)	18,563

	Note	2022 £ 000	2021 £ 000
Impairment of investments		560	2,433
Reversal of impairment of investments		(4,487)	-
Net (reversal)/impairment of investments	17	(3,927)	2,433

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	304,220	277,247
Social security costs	22,235	18,965
Pension costs, defined contribution scheme	7,534	6,602
	333,989	302,814

The average number of persons employed by the Company (including Directors) during the year was as follows:

	2022 No. '000	2021 No. '000
Roastery and production facility employees	37	36
Head office and support function employees	1,355	1,373
Store employees	15,952	15,012
	17,344	16,421

8 Directors' remuneration

	2022 £ 000	2021 £ 000
Directors remuneration	2,662	3,717
Defined contribution scheme and cash in lieu of pension contributions	243	299
Total Directors' remuneration	2,905	4,016
The highest paid key management personnel received	820	833

Employee share plan charges of £941,000 was charged to equity in the year, (2021: £1,031,000).
During the year five Directors exercised and received shares under incentive schemes, (2021: three directors).
There was 1 director in the defined contribution pension scheme in the year (2021: 1 director).
During the year, the highest paid Director had pension payments totalling £92,000 and did not exercise or receive any shares.

The numbers above are inclusive of remuneration paid on behalf of Costa Express Limited and Costa International Limited. During the year Costa Limited paid Directors' remuneration for Costa Express Limited. The allocated payments totalled £1,733,000 (2021: £1,258,000). During the year Costa Limited paid Directors' remuneration for Costa International Limited. The allocated payments totalled £35,000 (2021: £32,000).

9 Finance income

	2022 £ 000	2021 £ 000
Interest income on bank deposits	2,340	35
Other interest receivable	950	431
	3,290	466

10 Finance costs

	2022 £ 000	2021 £ 000
Interest expense on leases	10,486	9,393

11 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the group financial statements	1,815	1,860

A total of £424,000 was borne by the Company in the year on behalf of its subsidiaries, (2021: £424,000).

12 Taxation

Tax charged/(credited) in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	126	-
Group relief receivable	(5,529)	(7,723)
UK corporation tax adjustment to prior periods	(884)	984
	(6,287)	(6,739)
Deferred taxation		
Arising from origination and reversal of temporary differences	7,530	6,028
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	1,702	(1,182)
Arising from tax rate change on opening balance	-	(2,330)
Total deferred taxation	9,232	2,516
Tax expense/(credit) in the income statement	**2,945**	**(4,223)**

12 Taxation (continued)

The UK corporation tax rate in effect for the year ended 31 December 2022 is 19% (2021: 19%). An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This rate change had no impact on the current year financial statements. The tax on profit before tax for the year is different to the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit/(loss) before tax	245,950	(42,370)
Corporation tax at standard rate	46,731	(8,050)
Fixed asset differences	(507)	1,946
Income not taxable	(7,258)	(595)
Increase from effect of expenses not deductible in determining taxable profit	8,076	2,582
Increase from effect of provisions against loans to group companies	-	2,606
Increase from impairment from investments in subsidiaries	-	462
R&D credits	-	(188)
Increase/(decrease) in current tax and deferred tax from adjustment for prior periods	818	(198)
(Decrease)/increase in closing deferred tax to average rate of 19.00%	1,862	(2,788)
Non-taxable dividend income	(46,528)	-
Land remediation deduction	(19)	-
Deferred tax (charged)/credited directly to OCI	765	-
Deferred tax (charged)/credited directly to equity	3	-
Deferred tax on derivatives	(998)	-
Total tax charge/(credit)	**2,945**	**(4,223)**

The corporation tax balance is a receivable of £20,882,000 (2021: receivable of £37,569,000).

12 Taxation (continued)

Deferred tax

The deferred tax balance consists of the following:

	2022 £ 000	2021 £ 000
Pension benefit obligations	333	267
Tax credits and loss carried forward	-	3,693
Provisions	164	-
Accelerated tax depreciation	1,139	7,254
Revaluation of cash flow hedges	924	(75)
Share based payment	518	403
Net tax assets	**3,078**	**11,542**

Deferred tax movement during the current year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	31 December 2022 £ 000
Pension benefit obligations	267	66	-	-	333
Tax credits and loss carried forward	3,693	(3,693)	-	-	-
Provisions	-	164	-	-	164
Accelerated tax depreciation	7,254	(6,115)	-	-	1,139
Revaluation of cash flow hedges	(75)	234	765	-	924
Share based payment	403	112	-	3	518
Net tax assets/(liabilities)	**11,542**	**(9,232)**	**765**	**3**	**3,078**

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	7,158	96	-	-	7,254
Revaluation of cash flow hedges	149	-	(224)	-	(75)
Share-based payments	347	61	-	(5)	403
Tax losses carry-forwards	6,417	(2,724)	-	-	3,693
Pension benefit obligations	216	51	-	-	267
Net tax assets/(liabilities)	14,287	(2,516)	(224)	(5)	11,542

The UK corporation tax rate is 19%. Finance Act 2021 has increased this to 25% effective from 1 April 2023 and hence the deferred tax balances are recognised at 25%.

13 Intangible assets

	Trademarks, patents, licenses and customer relationships £ 000	Internally generated software development costs £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	40	46,851	46,891
Additions	-	3,481	3,481
Disposals	-	16	16
At 31 December 2022	40	50,348	50,388
Amortisation			
At 1 January 2022	-	28,266	28,266
Charge for year	-	10,374	10,374
Eliminated on disposal	-	(10)	(10)
Net impairment reversal	-	(130)	(130)
At 31 December 2022	-	38,500	38,500
Carrying amount			
At 31 December 2022	**40**	**11,848**	**11,888**
At 31 December 2021	40	18,585	18,625

The net impairment reversal of £130,000 (2021: net impairment charge of £499,000) in respect of internally generated software development costs was due to the recoverable amount of the CGU (i.e., each retail store), which was the higher of its fair value less the costs of disposal and value in use, exceeding the CGU's carrying amount. There are evidences to suggest, such as an upturn in trading performance, that resulted to the prior year impairment of these assets getting reversed in the current year.

Included within internally generated software costs at 31 December 2022 was an amount of £731,000 (2021: £1,216,000) relating to internally generated software and development costs in the course of construction. Amortisation does not commence until assets are complete and available for use.

14 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	136,618	310,163	446,781
Additions	14,135	52,916	67,051
Disposals	(4,254)	(8,993)	(13,247)
At 31 December 2022	146,499	354,086	500,585
Depreciation			
At 1 January 2022	64,159	176,609	240,768
Charge for the year	11,885	38,759	50,644
Eliminated on disposal	(3,053)	(6,969)	(10,022)
Net impairment reversal	(241)	(4,523)	(4,764)
At 31 December 2022	72,750	203,876	276,626
Carrying amount			
At 31 December 2022	**73,749**	**150,210**	**223,959**
At 31 December 2021	72,459	133,554	206,013

The net impairment reversal of £241,000 (2021: net impairment charge of £3,187,000) in respect of land and buildings, and the net impairment reversal of £4,523,000 (2021: net impairment charge of £4,020,000) in respect of furniture, fittings and equipment was due to the recoverable amount of the CGU (i.e., each retail store), which was the higher of its fair value less the costs of disposal and value in use, exceeding the CGU's carrying amount. There are evidences to suggest, such as an upturn in trading performance, that resulted to the prior year impairment of these assets getting reversed in the current year. The fair value less costs of disposal is calculated using a multiple of 2.1 (2021: 8.9). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate of 7.1% (2021: 6.4%).

Included within property, plant and equipment was an amount of £11,980,000 (2021: £13,984,000) relating to expenditure for leasehold improvements and new store openings in the course of construction. Depreciation does not commence until assets are complete and available for use.

15 Assets held for sale

As at 31 December 2022, Costa Limited has £nil assets held for sale, (2021: £606,000). During the year Costa sold 10 stores to Tilly's Coffee Limited, 8 completed on 17 February 2022 and 2 on 26 May 2022.

16 Right-of-use assets

	Motor vehicles £ 000	Property £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	28,492	598,530	627,022
Additions	3,707	71,949	75,656
Modifications	(465)	(20,112)	(20,577)
Disposals	(5,427)	(31,945)	(37,372)
Transfer to lease receivable	-	(16,119)	(16,119)
At 31 December 2022	**26,307**	**602,303**	**628,610**
Depreciation			
At 1 January 2022	11,175	215,061	226,236
Charge for the year	5,479	69,842	75,321
Eliminated on disposal	(5,426)	(31,946)	(37,372)
Transfer to lease receivable	-	(3,927)	(3,927)
Impairment	5	1,185	1,190
Reversal of impairment	(138)	(10,788)	(10,926)
At 31 December 2022	**11,095**	**239,427**	**250,522**
Carrying amount			
At 31 December 2022	**15,212**	**362,876**	**378,088**
At 31 December 2021	**17,317**	**383,469**	**400,786**

The impairment charge of £1,185,000 (2021: £18,933,000) in respect of leased properties and the impairment charge of £5,000 (2021: £855,000) in respect of leased motor vehicles relates to the reduction of their value to their recoverable amount. The impairment reversal of £10,788,000 (2021: £1,225,000) in respect of leased properties and impairment reversal of £138,000 (2021: £nil) in respect of leased motor vehicles results from prior year impairment reversal in which the recoverable amount of the CGU is the greater of its fair value less the costs of disposal and value in use and there is evidence to suggest, such as an upturn in trading performance, that the prior year impairment asset write down should be reversed.

The fair value less costs of disposal is calculated using a multiple of 2.1 on Net Sales Revenue (2021: 8.9 on EBITDA). In assessing value in use, the estimated future cash flows are discounted to their present value, using a post-tax discount rate of 7.1% (2021: 6.4%).

17 Investments

Investments in Subsidiaries	**Total £ 000**
Cost or valuation	
At 1 January 2021	112,194
Additions	51,277
Impairment charge	(2,433)
At 31 December 2021	161,038
Additions	784
Net impairment reversal	3,927
At 31 December 2022	165,749

In 2022, the Company invested an additional £250,000 into Costa Coffee Bulgaria EOOD to support their franchise businesses.

In 2022, the Company invested an additional £534,000 into Costa Europe SP. Z.o.o for equity stores in airports.

In 2022, the Company reversed prior year impairment charges of £3,160,000 in Costa Express Malaysia sdn.bd, and £1,327,000 in Costa Coffee Polska S.A. The reversal of prior year impairment in Costa Express Malaysia sdn.bd resulted from increase in overall profitability, while the reversal of prior year impairment in Costa Coffee Polska S.A. was due to the sale of this business in 2023 whereby the proceeds from the sale served as basis for the fair value of Costa Coffee Polska S.A.

In assessing the value in use of Costa Express Malaysia sdn.bd, the estimated future cash flows are discounted to their present value, using a post-tax discount rate of 7.6%.

These impairment reversals are offset by the Company's recognition of impairment charge of £560,000 against CoffeeHeaven International Limited as a result of the decrease in the net assets of CoffeeHeaven International Limited for the same amount.

In 2022, the Company sold three subsidiaries to UK based franchise partners; Potation 2 Limited, Libation 1 Limited and Libation 2 Limited.

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Investments (continued)

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2022	2021
Coffeeheaven International Limited	Operator of coffee shops	England 3 Knaves Beach Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%
Costa Catering Management (Shanghai) Co. Ltd	Catering management	China Room 3002, ICP, No 1318 North Sichuan Road, Hongkou District, Shanghai, 200080.	100%	100%
Coffee Corporate Services Limited (formerly Life Coffee Cafes Limited)	Provision of research and development services	England 3 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%
Costa Coffee India Private Limited	Franchise business	India Unit No. 216, Second floor at Square one, c-2 district centre, Saket, New Delhi, 110017.	99.9%	99.9%
Costa Coffee Polska SA	Operator of coffee shops	Poland Chłodna 52, 00-872 Warsaw.	100%	100%
Costa Express Holdings Limited	Holding company	England Knaves Beach, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR	100%	100%
Costa Express Malaysia Sdn Bhd.	Operator of branded coffee machines	Malaysia TMF Administrative Services Malaysia Sdn. Bhd., 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee 50250.	100%	100%
Costa France SAS	Operator of coffee shops	France 52 rue de la Victorie 75009, Paris.	100%	100%
Costa International Limited	Franchise business	England 3 Knaves Beach Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2022	2021
Costa Singapore Private Limited	Franchise business support	Singapore 38 Beach Road, #29-11 South Beach Tower, Singapore, 189767.	100%	100%
Costa Express GmbH	Provision of marketing support services	Germany Ecos Office Centre Eschborn Alfred-Herrhausen-Allee 3-5 65760 Eschborn.	100%	100%
Cuppa-Cino Trading Limited	Leaseholder of train platform kiosks	United Kingdom 3 Knaves Beach Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%
Costa Trading (Shanghai) Co., Ltd	Food and beverage management and operation of retail coffee shops.	Shanghai Room 705B, Auxiliary Building, No. 205 South Maoming Road, Shanghai, Huangpu District.	100%	100%
Costa Europe Services sp. zoo (formerly Costa Express Poland sp. zoo)	Franchise business support, and warehousing and distribution services	Poland Chlodna 52, Warsaw, 00-872.	100%	100%
Costa Europe sp. z.o.o.	Sales, marketing and distribution; administrative, management or support services	Poland Chlodna 52, Warsaw, 00-872.	100%	100%
Costa Express Canada Limited	Operator of branded coffee machines	Canada C/o Accu-Search Inc, 215 10205-101, Street Edmonton. AB T5J 2Y9, Canada	100%	100%
Costa USA LLC	Provision of management services	USA One Coca-Cola Plaza, Atlanta, GA, 30313.	100%	100%
Costa Coffee Bulgaria EOOD	Provision of digital engineering services	Bulgaria Racho Petkov - Kazandzhiala No.8, Sofia, 1766.	100%	0%

17 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2022	2021
Costa Express Limited*	Operator of branded coffee machines	England 3 Knaves Beech Business Centre Davies Way, Loudwater, High Wycombe, Buckinghamshire, England, HP10 9QR.	100%	100%

* Held by a subsidiary undertaking

18 Inventories

	2022 £ 000	2021 £ 000
Raw materials and consumables	9,579	11,285
Finished goods and goods for resale	22,134	18,108
	31,713	29,393

19 Trade and other receivables

Current	2022 £ 000	2021 £ 000
Trade receivables	47,370	31,721
Provision for impairment of trade receivables	(1,120)	(3,680)
Net trade receivables	46,250	28,041
Amounts owed from group companies	53,033	36,243
Prepayments	17,882	11,093
Other receivables	16,934	16,025
Current lease receivables	2,190	1,298
	136,289	**92,700**
Lease receivables	21,476	13,306
	157,765	**106,006**

Amounts due from group companies are interest free and repayable on demand. Included in trade receivables are balances related to related parties of £450,000 (2021: £565,000). Included in other receivables is a balance of £418,000 relating to subsidiaries of Coca-Cola Europacific Partners (CCEP), with CCEP being a related party that is not wholly owned by The Coca-Cola Company (2021: £501,000 relating to subsidiaries of CCEP and Coca-Cola Hellenic Bottling Company (CCH), with both CCEP and CCH being related parties that are not wholly owned by The Coca-Cola Company).

During the period, the Company recognised a provision against amounts owed from group companies of £3,925,000 (2021: £14,201,000).

20 Derivative financial instruments

Current financial assets	2022 £ 000	2021 £ 000
Derivative financial instruments - forward coffee contracts	-	382

Current financial liabilities	2022 £ 000	2021 £ 000
Derivatives used for hedging - forward coffee contracts	3,696	-

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Trade and other payables

	2022 £ 000	2021 £ 000
Trade payables	138,146	97,898
Accrued expenses	102,289	104,863
Deferred income	22,331	24,041
Amounts due to group companies	90,511	239,040
Social security and other taxes	27,244	12,039
Other payables	14,291	2,756
	394,812	480,637

Amounts due to group companies are interest free and repayable on demand. Included in trade payables is a balance of £nil (2021: £275,000) relating to subsidiaries of CCEP and CCH, with both CCEP and CCH being related parties that are not wholly owned by The Coca-Cola Company.

Deferred income includes unredeemed loyalty points and gift cards.

Included in accrued expenses is a balance of £14,030,000 (2021: £9,702,000) relating to subsidiaries of CCEP and CCH, with both CCEP and CCH being related parties that are not wholly owned by The Coca-Cola Company.

As part of our continued efforts to improve our working capital efficiency, we have worked with our suppliers over the past several years to revisit terms and conditions with majority of them having 60-day and 120-day payment terms. Additionally, two global financial institutions offer a voluntary supply chain finance ("SCF") program which enables our suppliers, at their sole discretion, to sell their receivables from the Company to these financial institutions on a non-recourse basis at a rate that leverages our credit rating and thus may be more beneficial to them. The Company and our suppliers agree on the contractual terms for the goods and services we procure, including prices, quantities, and payment terms, regardless of whether the supplier elects to participate in the SCF program. The suppliers sell goods or services, as applicable, to the Company and issue the associated invoices to the Company based on the agreed-upon contractual terms. Then, if they are participating in the SCF program, our suppliers, at their sole discretion, determine which invoices, if any, they want to sell to the financial institutions. Our suppliers' voluntary inclusion of invoices in the SCF program has no bearing on our payment terms. No guarantees are provided by the Company on the SCF program. We have no economic interest in a supplier's decision to participate in the SCF program, and we have no direct financial relationship with the financial institutions, as it relates to the SCF program. Accordingly, amounts due to our suppliers that elected to participate in the SCF program are included in the line item "Trade and other payables" in our statement of financial position. As of 31 December 2022, supplier balances under this SCF program amounted to £89.5m.

22 Financial Guarantees

The Company acted as a financial guarantor for businesses based in China and Poland to the value of £23.3m as at 2021 which was repaid in full as at year end 2022.

Such guarantees are in force for the duration of the underlying contracts in place and are payable on demand.

The Company has entered into a Composite Accounting Agreement, together with, Costa China Holdings Limited, Costa Beijing Limited, Costa Express Limited and Costa International Limited, with Barclays Bank ("the Bank"). Each participating company has provided a guarantee to the Bank. Under the terms of the Agreement and the guarantee, the Bank is authorised to allow set-off for interest purposes and in certain circumstances to seize credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System.

The Bank has issued a guarantee in favour of Scottish Power Energy Retail Limited for £3,221,702.

23 Capital commitments

As at 2022 year end the Company had the following capital commitments:

Supplier	2023	2024	2025	Total	Nature of services procured
	£'000	£'000	£'000	£'000	
Coforge	4,277	3,813	3,147	11,237	Global desk support

Separately and as part of the contract with Coforge, an early termination charge is in force and amounts to £598,000 as at December 2023.

24 Other provisions

	Restructuring £ 000	Insurance Claims £ 000	VAT £ 000	Total £ 000
At 1 January 2022	1,143	1,695	1,966	4,804
Additional provisions	2,105	712	1,985	4,802
Provisions used	(93)	(449)	-	(542)
Unused provision reversed	(383)	(73)	(3,478)	(3,934)
At 31 December 2022	2,772	1,885	473	5,130

Restructuring Provisions
Relates to dilapidation costs in respect of announced store closures with expected cash outflows over the next 12 months. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

Insurance Claims
Relates to current and potential future claims from customers with expected cash outflows over the statute of limitation period. The main uncertainty relates to estimating the cost that will be incurred to settle the claim.

VAT Provision
Relates to the input VAT not yet claimed due to rental payments being paid to landlords, but VAT invoices not yet received and with an ageing of at least 6 months. The main uncertainty relates to the recoverability of input VAT.

25 Called-up share capital

Allotted, called-up and fully paid shares

	2022 (000's)		2021 (000's)	
	No.	£	No.	£
Ordinary of £1 each	91,258	91,258	91,258	91,258

26 Pension and other schemes

Defined contribution pension scheme

The Company operates a contracted-in defined contribution scheme under 'The Costa Coffee Retirement Plan'. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Company contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme.

The total cost charged to the income statement in relation to the defined contribution scheme for the year amounted to £7,534,000 (2021: £6,602,000). The amount outstanding at year end £1,509,000 (2021: £1,382,000).

27 Share-based payments

The Compensation Committee of The Coca-Cola Company have established performance share and restricted stock plans for some of the Company's senior employees. Under these plans, awards are approved and granted at the discretion of the Compensation Committee of The Coca-Cola Company and on exercising will be entirely equity settled in shares of The Coca-Cola Company with no exercise price payable by employees. The awards are subject to the fulfilment of certain employee service periods, with some reliant on certain performance targets also being achieved. Upon vesting the awards are no longer subject to a risk of forfeiture. Most of the awards provide for immediate vesting in the event of death, but not accelerated vesting upon retirement.

The recharge to the Company from The Coca-Cola Company in respect of the share-based plans during the financial year ended 31 December 2022 was a charge of £941,000 (2021: £1,031,000). Of the £941,000 share-based payment charge in the period, £300,000 relates to charges in the year and £641,000 relates to FX movements. Of the £300,000 charge in the year, £570,000 relates to the RSU schemes, and a credit of £270,000 relates to under-performance of the PSU schemes.

The Company is recharged on a straight-line basis over the substantive vesting period of the awards. In determining the recharge, awards are valued at the closing trading value of shares on the date of grant. Whilst the awards are subject to certain performance conditions and the fulfilment of certain employee service periods, these are not market based performance conditions as defined under IFRS 2, and as such are not included in grant date fair value measurement. Instead, these factors are considered by adjusting the number of awards included in the share-based payment recharge, such that by the end of the vesting period the cumulative recharge will account for only the awards that vest.

The long-term incentive plan (LTIP) awarded shares to Directors and senior executives of the Company. Vesting of all shares under the scheme depended on continued employment on the vest date and meeting revenue, profit and return on invested capital (ROIC) performance targets over a three-year period (the vesting period). The awards are settled in equity once exercised.

Restricted stock awards
Awards are not subject to performance conditions and vest 1/3 after 2 years and 2/3 after 3 years. Vesting of all the shares under the scheme is subject to continued employment at that date.

28 Leases

The Company has lease contracts for various items of stores, plant, machinery, vehicles and other equipment used in its operations.

Leases of plant, machinery and equipment generally have lease terms of less than 12 months or are low value leases.

Leases of motor vehicles generally have lease terms between 3 and 7 years. Store property leases generally have lease terms up to 35 years. Some of these leases include extension and termination options, variable lease payments, lease incentives and contingent rents.

The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. The Company does, however, sub-let space in some of its leased property portfolio. The amount recognised as sub-lease income during the year was £546,000 (2021: £808,000), as detailed in Note 6.

28 Leases (continued)

Lease accounting

Note 16 details the accounting of right-of-use assets in the financial year.

The accounting of lease liabilities in the financial year are as follows:

Lease liabilities

	2022 £ 000	2021 £ 000
As 1 January	476,385	523,053
Additions	74,805	61,583
Modifications	(20,904)	(32,200)
Interest expense	10,486	9,393
Payments	(95,035)	(85,444)
Exchange rate gains	6	-
As at 31 December	**445,743**	**476,385**

Leases included in creditors

	2022 £ 000	2021 £ 000
Less than one year	84,399	89,624
Between two to five years	240,116	259,634
Greater than five years	121,228	127,127
Total lease liability	**445,743**	**476,385**

	2022 £ 000	2021 £ 000
Current portion of long-term lease liabilities	84,399	89,624
Long-term lease liabilities	361,344	386,761

COSTA LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

28 Leases (continued)

Amounts recognised in profit and loss

	2022 £ 000	2021 £ 000
Depreciation of right-of-use property	69,842	77,168
Depreciation of right-of-use motor vehicles	5,479	5,531
Interest expense on lease liabilities	10,486	9,393
Expense on short term leases (included in operating costs)	11,233	6,755
COVID-19 related rent concessions	(1,420)	(3,662)
Sublease operating lease income	(546)	(808)
Turnover rent	26,332	13,179
Total amount recognised in profit and loss	121,406	107,556

Total cash outflows related to lease

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

	2022 £ 000	2021 £ 000
Right of use assets	95,035	85,444
Turnover rent	26,332	13,179
Total cash outflow	**121,367**	**98,623**

The Company had total net cash outflow of £121,367,000 (2021: £98,623,000) in relation to leases in the current financial year.

Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Company makes in store. The following provides information on the Company's variable lease payments, including the magnitude in relation to fixed payments for the year ended 31 December 2022:

	Fixed payments £ 000	Variable payments (based on sales) £ 000	Total payments £ 000
Leases with lease payments based on sales	23,250	26,332	49,582

The estimated annual impact on total payments of a 5% increases in sales would be £2,672,000 (2021: £994,000).

28 Leases (continued)

Extension and termination option

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within 5 years £ 000	More than 5 years £ 000	Total £ 000
Extension options expected not to be exercised	-	4,123	4,123
Termination options expected to be exercised	1,965	429	2,394
	1,965	**4,552**	**6,517**

Leases commencing in the future

The Company has various lease contracts that will commence after 31 December 2022. The future lease payments for these non-cancellable lease contracts are £573,000 (2021: £193,000) within one year, £7,884,000 (2021: £2,010,000) within five years and £19,813,000 (2021: £4,750,000) thereafter.

COVID-19-related rent concessions

The Company has elected to apply the COVID-19-Related Rent Concessions amendment to IFRS 16 in the current year as described in note 2. Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £1,420,000 (2021: £3,662,000) for 2022 being recorded in Operating costs.

Sub-leasing

The Company does sub-let space in some of its leased property portfolio to certain franchise partners, where the Company will act as tenant on the headlease to secure the location from the landlord and sub-let the whole of the property to the franchise partner. Additionally, the Company will on some occasions sub-let properties that have ceased to trade before expiry of the lease. In these situations, the Company will seek to sub-let either the whole or part of these properties to mitigate the rental charges over the remaining lease term. The amount recognised as sub-lease operating lease income during the year was £546,000 (2021: £808,000).

The maturity analysis of the lease payments is as follows:

	2022 £ 000	2021 £ 000
Less than one year	3,073	1,407
Between two to five years	10,434	4,491
Greater than five years	13,110	7,230
Total lease liability	**26,617**	**13,128**

29 Related party transactions

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

Costa Limited trades with associate companies of The Coca-Cola Company. In 2022, Costa Limited recognised total sales for these companies of £2,302,000 (2021: £4,271,000) and cost of sales of £2,613,000 (2021: £5,762,000).

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

The name of the smallest and largest parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is The Coca-Cola Company.

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

31 Parent and ultimate parent undertaking

The Company's immediate parent is European Refreshments Unlimited Company. The ultimate parent is The Coca-Cola Company, Atlanta, Georgia, USA. The smallest and largest parent preparing consolidated financial statements is The Coca-Cola Company. The ultimate controlling party is The Coca-Cola Company.

32 Events after the balance sheet date

On 21 September 2021, Costa Limited announced that it had reached an agreement to sell two of its companies, Costa Coffee Polska S.A. (a subsidiary operating retail stores in Poland) and SIA Coffee Nation (a subsidiary of Coffeeheaven Holdings Limited, indirectly owned by Costa Limited, and operating retail stores in Latvia), to Lagardere Travel Retail. The sale of the business was completed in the first quarter of 2023.

On 30 January 2023 the Company paid a dividend of £85 million to its parent, European Refreshments Unlimited Company.

On 1 November 2022, the Company and its parent company entered into a reciprocal loan agreement that runs between this date and 1 November 2023. During this period either Costa Limited or European Refreshments can request a loan of up to £200m that is repayable on demand or by 1 November 2023. On 3 May 2023, the Company loaned £70m to European Refreshments under this agreement.