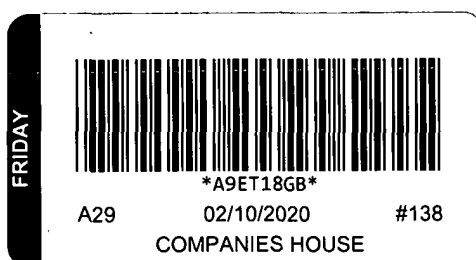


Beverage Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



BEVERAGE SERVICES LIMITED

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BEVERAGE SERVICES LIMITED

Company Information

Registered number: 2072395

Directors J Woods
R Rutten
I Cope
R Saboya
CG Davis

Registered office 1A Wimpole Street,
London,
W1G 0EA

Solicitors Eversheds LLP,
1 Wood Street,
London,
EC2V 7WS

Bankers Citibank, N.A.,
Citigroup Centre,
Canada Square,
Canary Wharf,
London,
E14 5LB

Auditor Ernst & Young,
Chartered Accountants,
EY Building,
Harcourt Centre,
Harcourt Street,
Dublin 2,
Ireland

BEVERAGE SERVICES LIMITED

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The profit for the year, after taxation, is £41,913,891 (2018: £25,101,022).

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

	2019 £'000	2018 £'000	Change
Turnover - sale of concentrate and beverage base	513,216	-	- %
Turnover - fees and commissions	97,401	97,150	0.3 %
Operating profit	51,607	34,156	51 %
Profit for the year	41,914	25,101	67 %
Total comprehensive income	52,463	23,838	120 %
Shareholder's equity	164,088	139,701	17 %

In January 2019 the Company commenced a new business model whereby it purchases and sells Coca-Cola concentrate and beverage base. This results in a £513m increase in turnover over the prior year.

Operating profit increased in line with the gross profit on the new business model mentioned above.

Profit for the year increased due to the new business model.

Total comprehensive income increased as a result of the new business model.

Shareholder's equity increased due to the aforementioned business model, offset by the payment of a £22m dividend.

Principal risks and uncertainties

Coronavirus ("COVID-19")

In December 2019, a novel strain of COVID-19 was reported in Wuhan, China. As of now, COVID-19 has spread globally and on 11 March 2020 the World Health Organisation ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the local and global economy and financial markets and could potentially create widespread business continuity issues, the extent of which is currently indeterminable. Many countries have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

Given the assets, liabilities and current levels of operation it is not expected that COVID-19 will pose a material risk to the Company.

Brexit

The UK stopped being a member of the European Union at 23:00 GMT on 31 January 2020. The UK is now in a transition period, which is due to end on 31 December 2020. During this period, the UK continues to follow all of the EU rules, and the trading relationship remains the same. The UK and the EU are now negotiating a Free Trade Agreement. A multi-functional team is in place working to mitigate the associated risks.

BEVERAGE SERVICES LIMITED

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Business risk

The principal business risk is ensuring the operating expenses are managed in an efficient manner in order to provide economical and competitive services to ensure the Company's continued viability as a service provider and changes in the economic and commercial environment which may affect sales.

Financial risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability.

Pension

Fluctuations in the assumptions used for the valuation of the liabilities of defined benefit schemes can result in a significant impact on the scheme's assets and liabilities.

Litigation

Litigation or legal proceedings could expose the Company to significant liabilities and damage the Company's brand and reputation.

Laws and regulations

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

Section 172(1) statement

The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- 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
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

The manner in which this is done is set out in more detail below.

BEVERAGE SERVICES LIMITED

Strategic Report for the Year Ended 31 December 2019 (continued)

Long term consequences of decisions

The Directors understand the business and the evolving environment in which we operate, and in doing so, ensure that they understand the likely consequences of their decisions in the long term. This is consistent with the Company's overall focus on doing business sustainably, as set out in our 2019 Business and Sustainability Report (the 'Report').¹

As set out in more detail in the Report, Coca-Cola has focussed on the highest-priority environmental, social and governance issues for our company and our stakeholders, and sees this as a foundational step in how we conduct business and develop our corporate strategy.

The interests of the Company's employees

The Directors are aligned with the Company's strategy, which recognises that our employees are fundamental to our business and delivery of our strategic ambitions. The Board considers the interests of the Company's employees by committing to the Company's vision of a 'Better Shared Future'.²

Fostering the Company's business relationships with suppliers, customers and others

The Directors recognise the need to foster the Company's business relationships with suppliers, customers, and other stakeholders. Our approach to partnerships and engaging with our key stakeholders aims to drive progress on our priority issues. We continue to evolve our stakeholder engagement, applying the principles of transparency, inclusiveness, consistency and accountability to promote positive impact and create a virtuous cycle of collaboration. Further information on the Company's approach to this requirement is set out in the Report.

The impact of the Company's operations on the community and the environment

Information on how the Board approaches the impact of the Company's operations on the community and the environment is set out in the Report.

The Directors are aligned with the Company's environmental and sustainability initiatives, which include our journey to a World Without Waste, our commitment to responsible water stewardship, and our increased use of recycled plastic.

The Report also sets out details of the Company's commitment to a better shared future for the communities in which we live and work. We strive to have a positive impact, especially in times of need, and Coca-Cola has pledged to give back 1% of our prior year's operating income annually through our foundation and company donations. In 2019 the Coca-Cola Foundation contributed \$88 million and the Coca-Cola Company contributed \$37 million to directly benefit 294 organizations across 129 countries and territories focused in particular on funding for recycling, water and women's empowerment efforts.

¹ <https://www.coca-colacompany.com/reports/business-sustainability-report-2019>

² <https://www.coca-colacompany.com/shared-future/people-values>

BEVERAGE SERVICES LIMITED

Strategic Report for the Year Ended 31 December 2019 (continued)

High standards of Business Conduct

Our Company follows sound business principles and practices which foster an innovative and collaborative culture, which is committed to ethical behaviour, accountability and transparency.

The Company follows Coca-Cola's Code of Conduct and has published its Modern Slavery Statement to ensure that its high standards are maintained within the businesses and in the business relationships we maintain.

The need to act fairly as between members of the Company

The Directors consider which course of action best enables delivery of our strategy and business plan, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members.

Approved by the Board on 22 September 2020 and signed on its behalf by:

Renato Saboya

.....
R Saboya
Director

BEVERAGE SERVICES LIMITED

Directors' Report

Registered No. 2072395

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors, who held office at any time during the financial year, were as follows:

J Woods

S Roche (resigned 6 September 2019)

R Rutten

M Stewart (resigned 20 May 2019)

I Cope

R Saboya (appointed 6 September 2019)

CG Davis (appointed 20 September 2019)

Principal activity

The principal activities of the Company are the provision of marketing, promotion and technical services to S.A. Coca-Cola Services N.V. for non alcoholic beverages. In January 2019 the Company commenced a new business model whereby it purchases and sells Coca-Cola concentrate and beverage base in the UK market.

Future developments

Operations will continue to develop in line with current activity.

Dividends

The directors paid interim dividends of £215,686 per share in respect of 2019 (2018: £Nil), which amounts to a total payment of £22,000,000 (2018: £Nil) for the shares in issue.

Events after the balance sheet date

Other than as described above and in the Principal risks and uncertainties section in the Strategic Report in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, which would require adjustment to or disclosure in the financial statements. On 17 March 2020, the Company reduced its share premium by £100,000,000 and credited this amount to its Retained Earnings account. On 8 April 2020 the Company declared a dividend on £100,000,000 to its immediate parent Coca-Cola Holdings (United Kingdom) Limited.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through the newsletter "Update" in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's profit sharing schemes and are encouraged to invest in the Company through participation in share option schemes.

BEVERAGE SERVICES LIMITED

Directors' Report

Going concern

The response to COVID-19 is set out in the Principal risks and uncertainties section above in the Strategic Report. It is our view, to the best of our current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Political donations

No political donations were made during the year 2019 or 2018.

Research and development

The Company carries out research and development necessary to support its principal activities from time to time. There was no material research and development expenditure in 2019 or 2018.

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.

Reappointment of auditor

The auditor, Ernst & Young, Chartered Accountants is deemed to be reappointed in accordance with section 485 of the Companies Act 2006 by virtue of an elective resolution of the members.

Approved by the Board on 22 September 2020 and signed on its behalf by:

Renato Saboya

.....
R Saboya
Director

BEVERAGE SERVICES LIMITED

Directors' Responsibilities Statement

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis.

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

Approved by the Board on 22 September 2020 and signed on its behalf by:

Renato Saboya

.....
R Saboya
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEVERAGE SERVICES LIMITED

Opinion

We have audited the financial statements of Beverage Services Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Continued / ...

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Continued / ...

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

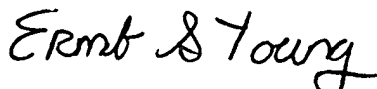
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Dermot Daly (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Dublin
28 September 2020

BEVERAGE SERVICES LIMITED

Profit and Loss Account

for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	610,615,017	97,150,932
Cost of sales		<u>(497,773,674)</u>	<u>-</u>
Gross profit		112,841,343	97,150,932
Administrative expenses		<u>(61,234,191)</u>	<u>(62,995,252)</u>
Operating profit	4	51,607,152	34,155,680
Interest receivable and similar income	7	668,132	1,508,995
Interest payable and similar charges	8	<u>(510,407)</u>	<u>(28,477)</u>
Profit before tax		51,764,877	35,636,198
Tax on profit	9	<u>(9,850,986)</u>	<u>(10,535,176)</u>
Profit for the year		<u>41,913,891</u>	<u>25,101,022</u>

The results in 2019 and 2018 are derived from continuing operations.

The notes on pages 16 to 49 form an integral part of these financial statements.

BEVERAGE SERVICES LIMITED

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Profit for the year		41,913,891	25,101,022
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) related to pension scheme	16	4,031,000	(6,067,000)
Current tax on share based payments		3,157,541	4,003,098
Deferred tax attributable to pension remeasurement gain/(loss) and share based payments		<u>3,360,717</u>	<u>801,302</u>
		<u>10,549,258</u>	<u>(1,262,600)</u>
Total comprehensive income for the year		<u><u>52,463,149</u></u>	<u><u>23,838,422</u></u>

The notes on pages 16 to 49 form an integral part of these financial statements.

BEVERAGE SERVICES LIMITED

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Tangible assets	10	8,991,536	9,406,857
Lease receivable	12	11,260,292	-
Deferred tax assets	9	8,849,609	7,729,792
Right-of-use asset	11	21,053,204	-
		<u>50,154,641</u>	<u>17,136,649</u>
Current assets			
Trade and other debtors	12	216,490,528	150,660,829
Current liabilities			
Trade and other payables	13	(78,092,505)	(31,653,353)
Net current assets		<u>138,398,023</u>	<u>119,007,476</u>
Total assets less current liabilities		<u>188,552,664</u>	<u>136,144,125</u>
Lease liability	13	(31,721,983)	-
Other payables	13	(1,648,472)	(2,748,668)
Net assets excluding pension scheme assets		<u>155,182,209</u>	<u>133,395,457</u>
Defined benefit pension scheme assets	16	8,906,000	6,306,000
Net assets		<u>164,088,209</u>	<u>139,701,457</u>
Capital and reserves			
Called-up share capital	14	102	102
Share premium		106,299,998	106,299,998
Retained earnings		57,788,109	33,401,357
Shareholder's equity		<u>164,088,209</u>	<u>139,701,457</u>

Approved by the Board on 22 September 2020 and signed on its behalf by:

Renato Saboya

.....
R Saboya
Director

BEVERAGE SERVICES LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called-up share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	102	106,299,998	22,476,033	128,776,133
Profit for the year	-	-	25,101,022	25,101,022
Other comprehensive income	-	-	(1,262,600)	(1,262,600)
Total comprehensive income	-	-	23,838,422	23,838,422
Share-based payments	-	-	(12,913,098)	(12,913,098)
At 31 December 2018	102	106,299,998	33,401,357	139,701,457

	Called-up share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2019	102	106,299,998	33,401,357	139,701,457
Effect of adoption of new accounting standards IFRS16	-	-	3,702,437	3,702,437
	102	106,299,998	37,103,794	143,403,894
Profit for the year	-	-	41,913,891	41,913,891
Other comprehensive income	-	-	10,549,258	10,549,258
Total comprehensive income	-	-	52,463,149	52,463,149
Dividends	-	-	(22,000,000)	(22,000,000)
Share-based payments	-	-	(9,778,834)	(9,778,834)
At 31 December 2019	102	106,299,998	57,788,109	164,088,209

The notes on pages 16 to 49 form an integral part of these financial statements.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Beverage Services Limited (the 'Company') for the year ended 31 December 2019 were authorised for issue by the board 22 September 2020 and the balance sheet was signed on the board's behalf by Renato Saboya. Beverage Services Limited is a private limited company limited by shares, incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The financial statements are prepared under the historical cost convention.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. The financial statements are prepared in pounds sterling and are rounded to the nearest pound.

The response to COVID-19 is set out in the Principal Risks and Uncertainties section in the Strategic Report. It is our view, to the best of our current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

As noted in Note 1, these financial statements were prepared in accordance with FRS 101. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment', because the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 'Financial Instruments': Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 'Presentation of Financial Statements';
- (f) the requirements of IAS 7 'Statement of Cash Flows';

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- (g) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (h) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- (i) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (j) the requirements in IFRS 15 'Revenue from Contracts with Customers' to disclose second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129;
- (k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- (l) 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.

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

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company transitioned to IFRS 16 using the modified retrospective approach and this had an impact of £3,702,437 being added to opening retained earnings 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of whether contracts are or contain leases. It applied IFRS 16 to contracts that were previously identified as leases under IAS 17. Furthermore, we only applied the definition of a lease under IFRS 16 to contracts that were entered into or modified on or after 1 January 2019.

In addition, the Company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets have been measured at:

- Their carrying amount on the date IFRS 16 was implemented, discounted using the lessee's incremental borrowing rate at that date
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

The company recognised lease liabilities in relation to leases that were previously classified as 'operating leases' under the principles of IAS 17 - Leases. On transition, an additional £23,605,108 (2018 - £Nil) of right-to-use assets, £12,840,342 (2018 - £Nil) of lease receivables and £39,359,721 (2018 - £Nil) of lease liabilities were recognised with the difference allocated to retained earnings.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

	Note	As originally reported 31 December 2018 £
Operating lease commitments at 31 December 2018		<u>43,197,684</u>
Operating lease commitments discounted at the incremental borrowing rate		<u>39,359,721</u>
Lease liabilities recognised at 1 January 2019		<u>39,359,721</u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 2%.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Impact on Statement of Financial Position as at 1 January 2019

	Note	As originally reported 2018 £	IFRS 16 adjustments £	As 1 January 2019 £
Assets				
Non-current assets				
Tangible fixed assets		9,406,857	-	9,406,857
Lease receivable		-	12,018,103	12,018,103
Deferred tax assets		7,729,792	(758,330)	6,971,462
Right-of-use assets	11	-	23,605,108	23,605,108
		<u>17,136,649</u>	<u>34,864,881</u>	<u>52,001,530</u>
Current assets				
Trade and other debtors		150,660,829	492,515	151,153,344
Current liabilities				
Trade and other payables		<u>(31,653,353)</u>	<u>3,208,279</u>	<u>(28,445,074)</u>
Total assets less current liabilities		136,144,125	38,565,675	174,709,800
Other payables		<u>(2,748,668)</u>	<u>(34,863,238)</u>	<u>(37,611,906)</u>
Net assets excluding pension scheme assets		133,395,457	3,702,437	137,097,894
Defined benefit pension scheme assets	16	<u>6,306,000</u>	<u>-</u>	<u>6,306,000</u>
Net assets		<u>139,701,457</u>	<u>3,702,437</u>	<u>143,403,894</u>
Capital and reserves				
Called-up share capital		102	-	102
Share premium reserve		106,299,998	-	106,299,998
Retained earnings		<u>33,401,357</u>	<u>3,702,437</u>	<u>37,103,794</u>
Shareholders' equity		<u>139,701,457</u>	<u>3,702,437</u>	<u>143,403,894</u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 2%.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Revenue recognition

Recognition

The principal activities of the Company are the provision of marketing, promotion and technical services to S.A.Coca-Cola Services N.V. for non-alcoholic beverage. In January 2019 the Company commenced a new business model whereby it purchases and sells Coca-Cola concentrate and beverage base in the UK market. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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

1. Identify the contracts with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

Principal versus agent

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

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

Rendering of services

Rendering of services revenue is recognised, based on the stage of completion of the contract and control of a right to be compensated for the services has been attained.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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 credited or charged directly to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tangible assets

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

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

Tangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Depreciation

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	15-20 years straight line
Plant and machinery	3-5 years straight line

Trade and other debtors

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due, leveraging inflation rates for the purposes of determining expected future losses. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within "Administrative expenses". When a trade receivable is unrecoverable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the same account in the statement of comprehensive income.

Trade and other creditors

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

Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income and interest expense.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Provisions

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

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

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

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.

Share premium reserve

The share premium reserve is used to record the excess of proceeds over the nominal value on the issue of shares.

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.

Leases Prior to 1 January 2019

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term.

Leases Effective 1 January 2019

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.

At the commencement date a lessee 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.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases Effective 1 January 2019 (continued)

Initial recognition and measurement

At the commencement date of the lease, the Company recognises lease liabilities 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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, 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 day, 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. 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 balance sheet, the detail of which is in note 11.

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.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Pension and other post-retirement benefits

Contributions to the defined contribution scheme are recognised in profit or loss in the period in which they become payable.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as interest income or interest charges. Re-measurements are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Share-based payments

The cost of equity-settled transactions with employees of the Company is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using the Black-Scholes-Merton pricing model. In valuing equity-settled transactions, no account is taken of any service and performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vested irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

On transition to FRS 101, the Group did not apply the measurement rules of IFRS 2 to equity settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However later modifications of such equity instruments are measured under IFRS 2.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

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

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

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

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

Classification and measurement

The Company's financial assets include trade receivables which are classified as financial assets at amortised cost.

The Company's financial liabilities include trade payables and other payables which are classified as financial liabilities at amortised cost.

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.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

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.

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 statement of comprehensive income.

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

When the Company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

- (a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.
- (b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined
- (d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

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 statement of income.

Financial liabilities

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

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

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 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.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 9.

Estimation of share-based payment

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

Provisions

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, after taking account of the risks and uncertainties surrounding the obligation.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

3 Turnover

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

	2019 £	2018 £
Provision of services	97,401,469	97,150,932
Sale of Goods	513,213,548	-
	<u>610,615,017</u>	<u>97,150,932</u>

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

	2019 £	2018 £
UK	513,213,548	-
Belgium	97,401,469	97,150,932
	<u>610,615,017</u>	<u>97,150,932</u>

4 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
<i>Included in administrative expenses:</i>		
Depreciation of tangible fixed assets	925,090	1,670,192
Operating lease expense - property	-	3,931,917
Loss on disposal fixed assets	694	-
Depreciation on right of use assets - Property	2,551,904	-
Foreign exchange (gains) / losses	(149,375)	197,721
Auditors' remuneration		
- Audit services	120,643	89,653
- Taxation services	<u>80,201</u>	<u>160,449</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Staff costs

The aggregate payroll costs were as follows:

	2019 £	2018 £
Wages and salaries	19,095,305	18,526,643
Social welfare costs	4,332,152	3,760,643
Other pension costs	2,146,414	1,540,126
Share-based payment expenses	2,844,166	3,219,864
	<u>28,418,037</u>	<u>27,047,276</u>

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

	2019 No.	2018 No.
Administration and support	<u>194</u>	<u>192</u>

All of the Company's employees are employed in the administration division.

6 Directors' Remuneration

	2019 £	2018 £
The directors' remuneration for the financial year was as follows:		
Aggregate amount of remuneration paid to directors in respect of qualifying services	<u>30,284</u>	<u>-</u>

7 Interest receivable and similar income

	2019 £	2018 £
Net interest income on pensions	164,000	356,000
Rental income	79,283	544,464
Other interest receivable	424,849	608,531
	<u>668,132</u>	<u>1,508,995</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Interest payable and similar charges

	2019 £	2018 £
Interest expense	-	28,477
Interest expense on leases - Property	510,407	-
	<u>510,407</u>	<u>28,477</u>

9 Taxation

Tax charged in the profit and loss account is as follows:

	2019 £	2018 £
Current income tax		
Corporation tax on profits for the period	8,464,788	9,166,094
Adjustment in respect of previous periods	(96,372)	-
Total current income tax	<u>8,368,416</u>	<u>9,166,094</u>
Deferred tax		
Arising from origination and reversal of temporary differences	1,491,484	1,369,082
Adjustment in respect of previous periods	(8,914)	-
Total deferred tax	<u>1,482,570</u>	<u>1,369,082</u>
Total tax charge in the profit and loss account	<u>9,850,986</u>	<u>10,535,176</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Taxation (continued)

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

	2019 £	2018 £
Deferred tax assets		
Decelerated capital allowances	234,803	253,259
Defined pension scheme assets	(1,514,020)	(1,072,020)
Share based payment and other timing differences	10,805,175	8,548,553
IFRS 16 adjustment	(676,349)	-
Net asset disclosed in the balance sheet	<u>8,849,609</u>	<u>7,729,792</u>

	£
Net deferred tax assets at 1 January 2018	8,297,572
Deferred tax charge in the income statement	(1,369,082)
Amount charged to statement of comprehensive income	<u>801,302</u>
Net deferred tax assets at 31 December 2018	<u>7,729,792</u>
IFRS 16 adoption	(758,330)
Deferred tax charge in the income statement	(1,482,570)
Amount charged to statement of comprehensive income	<u>3,360,717</u>
Net deferred tax assets at 31 December 2019	<u>8,849,609</u>

Change in Corporation Tax rate

The reductions in the UK corporation tax rate to 17% with effect from 1 April 2020 was substantively enacted at the balance sheet date and as such, the deferred tax liability at 31 December 2019 has been calculated based on this rate. On 17 March 2020, HM Treasury substantively enacted a budget resolution to retain the corporation tax rate at 19% from 1 April 2020. This will result in an increase of recognised deferred tax balances of £1,041,131 to £9,890,740.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Taxation (continued)

Reconciliation of the total tax charge

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	51,764,877	35,636,198
Corporation tax at standard rate at 19% (2018: 19%)	9,835,327	6,770,878
Disallowed expenses and non-taxable income	66,878	70,971
Increased tax as a result of transfer pricing adjustment	229,536	3,901,302
Adjustments in respect of previous years	(105,286)	(56,762)
Deferred tax calculated at lower rate	(175,469)	(151,213)
Total tax charge	9,850,986	10,535,176

The following are the amounts of income tax relating to components of other comprehensive income:

	2019 £	2018 £
Deferred tax on actuarial movement	(685,270)	1,031,390
Deferred tax on stock options	4,045,987	(230,088)
Current tax on stock options	3,157,541	4,003,098
	6,518,258	4,804,400

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Tangible assets

	Leasehold Improvements £	Plant & Machinery £	Total £
Cost or valuation			
At 1 January 2019	12,478,483	4,008,443	16,486,926
Additions	182,364	327,428	509,792
Disposals	-	(508,511)	(508,511)
At 31 December 2019	<u>12,660,847</u>	<u>3,827,360</u>	<u>16,488,207</u>
Depreciation			
At 1 January 2019	3,884,187	3,195,882	7,080,069
Charge for the year	796,153	128,937	925,090
Eliminated on disposal	-	(508,488)	(508,488)
At 31 December 2019	<u>4,680,340</u>	<u>2,816,331</u>	<u>7,496,671</u>
Carrying amount			
At 31 December 2019	<u>7,980,507</u>	<u>1,011,029</u>	<u>8,991,536</u>
At 31 December 2018	<u>8,594,296</u>	<u>812,561</u>	<u>9,406,857</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

11 Right-of-use assets

The Company has a lease on the office premises with a remaining term of 8 years, with no extension or early termination options. The Company has subleased a portion of this office space for the same period.

	Property £	Total £
Cost or valuation		
Additions	23,605,108	23,605,108
At 31 December 2019	23,605,108	23,605,108
Depreciation		
Charge for the year	2,551,904	2,551,904
At 31 December 2019	2,551,904	2,551,904
Carrying amount		
At 31 December 2019	21,053,204	21,053,204

Lease Payments

The Company made lease payments of £3,370,320 during the year.

12 Trade and other debtors

	31 December 2019 £	31 December 2018 £
Trade debtors	20,934,446	518,807
Amounts owed from group undertakings	185,855,677	141,030,881
Prepayments	4,398,495	2,820,985
Other debtors	9,657	911,228
Corporation tax receivable	4,284,229	5,378,928
Lease receivable	12,268,316	-
	227,750,820	150,660,829
Less non-current portion	(11,260,292)	-
Total current trade and other debtors	216,490,528	150,660,829

Details of non-current trade and other debtors

£11,260,292 (2018 -£Nil) of Lease receivables is classified as non current.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

13 Trade and other creditors

	31 December 2019	31 December 2018
	£	£
Trade creditors	1,860,142	1,297,701
Accrued expenses	10,603,760	18,145,767
Amounts owed to group undertakings	41,218,258	8,584,412
Social security and other taxes	11,810,986	3,625,473
Lease liability	36,750,021	-
Other payables	9,219,793	2,748,668
	<u>111,462,960</u>	<u>34,402,021</u>
Less non-current portion	<u>(33,370,455)</u>	<u>(2,748,668)</u>
Total current trade and other creditors	<u>78,092,505</u>	<u>31,653,353</u>

Other payable amounts falling due after one year comprise long term incentive accruals of £1,648,472 (2018: £2,748,668).

Lease liability includes a portion of non-current lease liability of £31,721,983 (2018: £Nil).

14 Share capital

Allotted, called-up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Leases

Leases included in creditors

	31 December 2019 £	31 December 2018 £
Current portion of long term lease liabilities	5,028,038	-
Long term lease liabilities	<u>31,721,983</u>	<u>-</u>

16 Pension and other schemes

Defined benefit pension scheme

Nature of pension and other post-employment benefits

The Company operates two pension schemes, a defined benefit pension scheme (The Coca-Cola Company Pension and Assurance Scheme) and a defined contributions scheme (Coca-Cola Stakeholder Pension Plan). The defined benefit scheme is funded by the payment of contributions to a pension fund management company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. In accordance with the trust deed, the scheme is subject to a full valuation every three years.

Pension contributions are determined with the advice of independent qualified actuaries, Mercer, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The pension is in an asset position and the surplus at the end of the year is £8,906,000 (2018: £6,306,000).

The expected defined benefit cost for the next reporting period is £1,662,000.

The expected contributions to the plan for the next reporting period is £92,000.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

A full actuarial valuation was carried out at 31 May 2019 and projected forward to 31 December 2019 by a qualified independent actuary on 6 March 2020. The Company has agreed the following funding objectives with trustees:

1. Once the funding level of the schemes is 100% of the projected past service liabilities to maintain funding at least at this level; and
2. To meet the liabilities of the schemes in the event that the schemes are wound-up.

The levels of contributions are based on the assumptions agreed for the funding valuation. The Company estimates the present value of the duration of United Kingdom scheme liabilities on average fall due over 20 years.

Due to the nature of the investments of the plan, no recent asset-liability review has been carried out.

Under the defined contributions scheme, the Company recognises a cost equal to its contribution payable for the year.

Defined contribution pension scheme

The cost of the defined contribution scheme recognised in the profit and loss in 2019 was £0.688m (2018: £1.6m).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £	2018 £
Fair value of scheme assets	282,386,000	254,900,000
Present value of scheme liabilities	(229,895,000)	(201,324,000)
	52,491,000	53,576,000
Effect of asset ceiling/onerous liability	(43,585,000)	(47,270,000)
Defined benefit pension scheme surplus	8,906,000	6,306,000

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £	2018 £
Fair value at start of year	254,900,000	293,338,000
Expected return on plan assets	6,953,000	7,207,000
Return on plan assets, excluding amounts included in interest income/(expense)	35,436,000	(24,213,000)
Employer contributions	99,000	96,000
Benefits paid	(13,996,000)	(20,582,000)
Administrative expenses paid	(1,006,000)	(946,000)
Fair value of the scheme of assets at end of year	<u>282,386,000</u>	<u>254,900,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2019 %	2018 %
Cash and cash equivalents	2	3
Debt instrument	12	8
Assets held by insurance company	86	89
	<u>100</u>	<u>100</u>

Actual return on scheme's assets

	2019 £	2018 £
Actual return on scheme assets	<u>42,389,000</u>	<u>(17,006,000)</u>

The pension scheme assets do not include the Company's own transferable financial instruments nor properties occupied by or used by the Company.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

The major categories of the pension scheme assets are as follows:

	2019 £	2018 £
Legal & general annuity policy	978,000	1,057,000
Cash	5,407,000	7,802,000
Capital redemption insurance contract	240,946,000	225,362,000
Debt instruments	35,055,000	20,679,000
	<u>282,386,000</u>	<u>254,900,000</u>

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £	2018 £
Present value at start of year	201,324,000	228,009,000
Current service cost	688,000	836,000
Past service cost	-	702,000
Actuarial gains and losses arising from changes in financial assumptions	38,365,000	(13,193,000)
Actuarial gains and losses arising from experience adjustments	(1,947,000)	-
Interest cost	5,461,000	5,552,000
Benefits paid	<u>(13,996,000)</u>	<u>(20,582,000)</u>
Present value of scheme liabilities at end of year	<u>229,895,000</u>	<u>201,324,000</u>

Effect of asset ceiling

The Company has recognised the effect of limiting a net defined benefit asset to the asset ceiling, as the Company does not believe it has an unconditional right to recover the entire pension surplus.

In calculating the asset ceiling, the Company has determined the maximum economic benefit available. The maximum economic benefit available was determined to be in the form of the difference between the future service cost under FRS 101 and the committed contributions to the Scheme as set out in the schedule of contributions. As at 31 December 2019, this was calculated to be £8.906m.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2019 %	2018 %
Mortality rate - Pre retirement	1.50	1.50
Mortality rate - Post retirement	1.50	1.50
Rate of compensation increase	3.26	4.35
Discount rate	2.00	2.81
Rate of pension increase	2.86	3.12
Inflation	2.96	3.35

Post retirement mortality assumptions

The assumed life expectancy on retirement at age 65.

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	24.10	24.00
Current UK pensioners at retirement age - female	26.20	26.10
Future UK pensioners at retirement age - male	26.50	26.40
Future UK pensioners at retirement age - female	28.90	28.80

The discount rate is derived from corporate bond yields which reflect the term of the expected benefit payments. The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities. In United Kingdom, mortality rates are based on S2 SAP tables, adjusted to reflect the scheme membership, and projected to reflect improvements in life expectancy.

The post-retirement mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2044.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

Amounts recognised in the income statement

	2019 £	2018 £
Amounts recognised in operating profit		
Current service cost	688,000	836,000
Past service cost	-	702,000
Recognised in arriving at operating profit	<u>688,000</u>	<u>1,538,000</u>
Amounts recognised in finance income or costs		
Net interest	<u>(164,000)</u>	<u>(356,000)</u>

The total charge of £0.688m was included in administrative expenses.

Amounts taken to the Statement of Comprehensive Income

	2019 £	2018 £
Actuarial gains and losses arising from changes in financial assumptions	(38,365,000)	13,193,000
Actuarial gains and losses arising from experience adjustments	1,947,000	-
Return on plan assets, excluding amounts included in interest (expense)/income	35,436,000	(24,213,000)
Changes in the effect of the asset ceiling	<u>5,013,000</u>	<u>4,953,000</u>
Amounts recognised in the Statement of Comprehensive Income	<u>4,031,000</u>	<u>(6,067,000)</u>

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2019		2018	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	£	£	£	£
Adjustment to discount rate				
Present value of total obligation*	<u>10,742</u>	<u>(11,499)</u>	<u>9,788</u>	<u>(10,491)</u>
	2019		2018	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	£	£	£	£
Adjustment to rate of inflation				
Present value of total obligation*	<u>(7,160)</u>	<u>6,901</u>	<u>(6,600)</u>	<u>6,428</u>

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Pension and other schemes (continued)

**Negative values shown in the table reflect an increase in the obligation*

	2019 - 1 Year £	2018 - 1 Year £
Adjustment to mortality age rating assumption		
Present value of total obligation	<u>(7,080)</u>	<u>(5,492)</u>

History of surplus/deficit

Financial year ending in	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Defined benefit obligation	(229,895)	(201,324)	(228,009)	(261,611)	(190,708)	(184,911)
Fair value of scheme assets	<u>282,386</u>	<u>254,900</u>	<u>293,338</u>	<u>265,516</u>	<u>227,626</u>	<u>219,647</u>
Surplus	<u>52,491</u>	<u>53,576</u>	<u>65,329</u>	<u>3,905</u>	<u>36,918</u>	<u>34,736</u>

Difference between expected and actual return on scheme assets

	2019	2018	2017	2016	2015
Amount (£ '000)	35,436	(24,213)	32,597	4,228	3,587
Percentage of scheme assets	12.5%	9.5%	11.1%	1.6%	1.6%

17 Share-based payments

Certain employees are granted share options in the equity of our ultimate parent undertaking, The Coca-Cola Company ("TCCC"). These options can only be settled in equity.

1999 STOCK OPTIONS AND PLAN

Scheme details and movements

The 1999 Stock option plan ("1999 Option Plan") was approved by share owners of TCCC in April 1999. Following the approval of the 1999 Option Plan, no grants were made from the 1991 Option Plan, and shares available under the 1991 Option plan were no longer available to be granted under the 1999 Option Plan, a maximum of 120 million shares of TCCC common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options granted under the 1999 Option Plan. Options to purchase common stock under the 1999 option plan have been granted to employees at fair market value at the date of grant.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Share-based payments (continued)

Stock options granted in December 2003 and thereafter generally become exercisable over a four-year annual vesting and expire 10 years from the date of grant. Stock options granted from 1999 through July 2003 generally become exercisable over a four-year annual vesting period and expire 5 years from the date of grant.

The weighted average share price at date of exercise of share options exercised during the year was £40.20 (2018: £34.73).

For the share options outstanding as at 31 December 2019, the weighted average remaining contractual life is 6 years (2018: 6 years). The range of exercise prices for options outstanding at the end of the year was £34.64-£44.00 (2018: £31.25-£38.96).

Fair value of options granted

The fair value of each option is estimated on the date of grant using a Black-Scholes-Merton option pricing model that uses assumptions, which under FRS 101 exemptions the Company has opted not to disclose. The expected term of the options granted represents the period of time that options granted are expected to be outstanding and is derived by analysing historic exercise behaviour. Expected volatilities are based on implied volatilities from traded options on TCCC's stock, historical volatility of TCCC's stock and other factors. The risk-free interest rate for the period matching the expected term of the option is based on the US Treasury yield curve in effect at the time of the grant. The dividend yield is the calculated yield on the TCCC's stock at the time of the grant.

18 Post balance sheet event

Other than as described in the Principal Risks and Uncertainties section above in the Strategic Report in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, which would require adjustment to or disclosure in the financial statements. On 17 March 2020, the Company reduced its share premium by £100,000,000 and credited this amount to its Retained Earnings account. On 8 April 2020 the Company declared a dividend on £100,000,000 to its immediate parent Coca-Cola Holdings (United Kingdom) Limited.

BEVERAGE SERVICES LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Obligations under leases and hire purchase contracts

Operating leases

The Company entered into a lease on commercial property in August 2013 and this lease has a duration of 15 years.

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

	2019 £	2018 £
Within one year	-	4,496,483
In two to five years	-	18,903,394
In over five years	-	19,797,807
	<u>-</u>	<u>43,197,684</u>

20 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

Outstanding balances with entities other than subsidiaries are unsecured, interest-free and cash settlement is expected within 30 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: £nil).

21 Parent and ultimate parent undertaking

The ultimate parent undertaking is The Coca-Cola Company, incorporated in Delaware, USA.

The immediate parent undertaking is Coca-Cola Holdings (United Kingdom) Limited, a company registered in England and Wales. The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member 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.