Costa Express Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Company number: 03145187

COSTA EXPRESS LIMITED

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COSTA EXPRESS LIMITED

Company Information

Directors	J Carlin A Cook N Orrin P Schaillee (Belgian)
Company secretary	S Savjani
Registered office	3 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR, United Kingdom
Registered number	03145187
Statutory auditor	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland

COSTA EXPRESS LIMITED

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report on Costa Express Limited (also referred to as the 'Company' or 'Costa Express') for the year ended 31 December 2022. Where referenced, 'Costa Group' and 'Costa Coffee' refer to the Company and all of the directly and indirectly owned subsidiaries of Costa Limited, the parent company of the Company's immediate parent Costa Express Holdings Limited.

Principal Activity
The principal activity of the Company during the year was the sale of espresso based coffee and other beverages from branded self-serve machines. The Company also sells Costa Express coffee machines to international Costa entities either through direct channels or, as an indirect subsidiary of The Coca-Cola Company, through the Coca-Cola network.

Business review
The start of the year was impacted by the Omicron COVID variant with various restrictions in place at different times across the first quarter. Despite this, Costa Express continued to deliver revenue growth year on year, largely driven by new machine installations.

Costa Express continued to innovate in respect of its coffee vending technology and invest in its sales, marketing and customer service departments through the year. The Company has started to roll out the world's first integrated hot and cold beverage machine, with placements in several cities across the UK. Iced coffee now accounts for one in five global purchases and this offer ensures that the business is well placed to deliver the next level of growth, capitalising on Coca-Cola's strength and complimentary expertise in vending.

The profit for the year, after taxation, is £61,004,000 (2021: £60,664,000).

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

	2022 £'000	2021 £'000	Change
Turnover (continuing operations)	348,127	331,270	5 %
Operating profit	70,242	73,223	(4) %
Profit for the year	61,004	60,664	1 %
Shareholder's equity	79,611	293,607	(73) %
	Unit	**Unit**	
Net new installations	1,466	2,885	(49)%
Total machines	14,625	13,159	11%

The Company made a profit after tax of £61m (2021: £61m). In the year Costa Express continued to place machines throughout the UK driving higher year on year revenue growth, however higher cost of sales driven by exchange rates and increased depreciation charges has driven higher costs, resulting in slight year on year decline of operating profit.

Shareholder's equity has decreased year on year following the dividend paid to the Company's immediate parent of £275m, and profit after tax in the year.

Principal risks and uncertainties

Brand perception

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

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

Political and economic climate impact

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

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

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

Roastery

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

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

Principal risks and uncertainties (continued)

Climate Change

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

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

Staff engagement and retention

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

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

Global Pandemic

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

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

Cyber and data security

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

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

Change management

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

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

Principal risks and uncertainties (continued)

Invasion of Ukraine

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

Section 172 statement

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

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

- the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- employee interests, the need to foster the Company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

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

The following summarises how the Directors have performed their duties during the period:

Community and the environment

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

Coffee

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

Section 172 statement (continued)

Community and the environment (continued)

Cups and packaging

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

Climate

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

Community

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

Section 172 statement (continued)

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

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

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

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

Engagement with suppliers, customers, and other relationships
Customers
As the operator of a global brand, the views of the Company's B2B customers and end consumers are very important. Consumer views on our brand, product quality, product delivery and value for money are regularly assessed by the Directors and are considered in each subsidiary company's product and supply chain planning, loyalty programs, store operating models, digital offerings, and other areas. The Company conducts a quarterly report on brand equity to monitor consumers' views on Costa's mental, physical and emotional availability, as well as an expression panel with loyalty customers. Each time a new product is introduced or a recipe is changed, Costa undertake extensive research and trials with consumers to hear their views.

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

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

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

As well as the approval of budgets and strategic plans, the principal decisions made during the year related to the approval of capital expenditure, entering into contracts for IT services, customer agreements, and the declaration and settlement of a dividend.

Section 172 statement (continued)

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

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

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

Dividends
On 31 October 2022 the Company declared a dividend of £275m (£381 per share) to its immediate parent, Costa Express Holdings Limited.

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

DocuSigned by:
N. Orrin
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N Orrin
Director

COSTA EXPRESS LIMITED

Directors' Report for the Year Ended 31 December 2022

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

Principal activity
The principal activity of the Company during the year was the sale of espresso based coffee and other beverages from branded self-serve machines. The Company also sells Costa Express coffee machines to international Costa entities either through direct channels or through the Coca-Cola network.

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

A Cook (appointed 6 January 2022)

N Orrin

N Lake (Australian) (resigned 31 January 2023)

R Willan (resigned 2 November 2022)

S Martin (resigned 9 February 2023)

J Carlin (appointed 10 February 2023)

P Schaillee (Belgian) (appointed 11 April 2023)

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

S Savjani

Dividends
On 31 October 2022 the Company declared a dividend of £275m to its parent, Costa Express Holdings Limited (2021: £nil).

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

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

Employment Policies

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

Anti-bribery

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

Modern Slavery Act

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

Future developments

No significant future developments are expected.

Events after the balance sheet date

There have been no significant events occurring after the balance sheet date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

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.

Streamlined Energy and Carbon Reporting (SECR)

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

The total carbon emissions for the period were recorded at 1,728 tCO2e. This is an increase of 118% over the previous reporting period. The increase can be attributed to two main actions (i) the addition of scope three emissions from the use of private cars for business and (ii) a significant increase in emissions from logistics vehicles.

The intensity rate for the period is calculated at 0.0050 tC02e per £100,000 of revenue from the Company's operations, this is an increase of 108% over the period.

COSTA EXPRESS LIMITED

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

Streamlined Energy and Carbon Reporting (SECR) (continued)

Greenhouse gas emissions and energy use data:	2022	2021	Change (%)
Energy consumption used to calculate emissions (kWh)	6,844,726	3,229,551	112%
Scope 1 emissions in metric tonnes (tCO2e)	1,166	696	68%
Scope 2 emissions in metric tonnes (tCO2e) Purchased electricity	51	98	(48)%
Emissions from mandatory scope three (tCO2e)	511	n/a	n/a
Total gross emissions in metric tonnes (tCO2e)	**1,728**	**794**	**118%**
Intensity ratio (tCO2e) per £100,000 of turnover	0.0050	0.0024	108%
Methodology	GHG Protocol	GHG Protocol	

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

During the reporting period the Company continued to progress its plans to deliver its science-based reduction targets: to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year and to reduce scope 3 GHG emissions 50% per coffee serving within the same timeframe. This included a glidepath with KPIs for major 'hotspots' (milk, green coffee, food, utilities) and year on year reduction goals to help the Company focus and track its progress to the overall 2030 goal. The Company also formally wrote to all of its suppliers asking them to support its reduction goals including an expectation that they set their own targets by the end of 2025.

Going Concern

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

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

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

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

Price risk

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

Price risk, credit risk, liquidity risk and cash flow risk (continued)

Credit risk and impairment

Credit risk is the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge an obligation. The Company is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties who demonstrate an appropriate payment history and/or with good credit ratings and who satisfy the Company's credit worthiness procedures. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date. The Company's maximum exposure on its trade and other receivables is the carrying amount as disclosed in Note 17.

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

Liquidity risk

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

Cash flow risk

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

Foreign exchange risk

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

Interest rate risk

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

Capital risk management

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

Litigation risk

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

Laws and regulations

Changes in, or failure to comply with, the laws and regulations applicable to our business operations could increase our costs or reduce our net operating revenues. The Company will review any changes in laws and regulations that might impact the business to mitigate any such impacts.

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

Political donations

During the year, the Company did not make donations to any political party or other political organisation and did not incur any political expenditure within the meanings of sections 362 to 379 of the Companies Act 2006 (2021: £nil).

Directors' liabilities

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

Reappointment of auditor

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

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

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N. Orrin

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N Orrin

Director

COSTA EXPRESS LIMITED

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 28 September 2023 and signed on its behalf by:

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N. Orrin
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N Orrin
Director

Building a better
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA EXPRESS LIMITED

Opinion

We have audited the financial statements of Costa Express Limited for the year ended 31 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

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

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS101, Companies Act 2006, UK tax legislations, GDPR, UK Bribery Act, The Equality Act, Competition laws, Consumer rights laws, Environmental regulations, Health and Safety Laws, Employment regulations, Modern Slavery Act, Foods Standards Agency requirements, Government food labelling requirement.

- We understood how Costa Express Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining and reading internal policies, holding enquiries of management and those charged with governance and the in-house legal counsel as to any fraud risk framework within the entity.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:

    - Inquiry of management and those charged with governance as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed;
    - Inquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims;
    - Inquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities;
    - Reading minutes of meetings of those charged with governance;
    - Inquiry of management over reports to whistleblowing hotlines;

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

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

- Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness agreeing back to source documentation or independent confirmations;
- Using data analytics to highlight potentially anomalous transactions in areas of the business which are determined to have an elevated fraud risk;
- Evaluating the business rationale of significant transactions outside the normal course of business; and
- Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

Use of our report

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

Ernst & Young

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

Date: 28 September 2023

COSTA EXPRESS LIMITED

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	348,127	331,270
Other income	5	-	560
Operating costs		(277,885)	(258,607)
Operating profit	**6**	**70,242**	**73,223**
Finance income	7	208	1
Finance costs	8	(33)	(38)
Profit before tax		**70,417**	**73,186**
Tax expense	11	(9,413)	(12,522)
Profit for the year		**61,004**	**60,664**

The above results were derived from continuing operations.

There were no recognised gains and losses for the current or previous financial period other than those included in the Income Statement.

The notes on pages 22 to 44 form an integral part of these financial statements.

COSTA EXPRESS LIMITED

Balance Sheet as at 31 December 2022

Company number: 03145187

	Note	2022 £ 000	2021 £ 000
Assets			
Non-current assets			
Intangible assets	12	28,621	18,648
Property, plant and equipment	13	81,568	72,049
Right-of-use assets	14	1,570	1,846
Deferred tax assets	11	2,879	2,423
		114,638	94,966
Current assets			
Inventories	16	21,020	9,245
Trade and other receivables	17	35,864	204,393
Cash and cash equivalents		4,151	27,649
		61,035	241,287
Current liabilities			
Trade and other payables	18	(94,729)	(41,038)
Net current assets / (liabilities)		**(33,694)**	**200,249**
Total assets less current liabilities		**80,944**	**295,215**
Non-current liabilities			
Long-term lease liabilities	15	(1,333)	(1,608)
Total assets		**79,611**	**293,607**
Equity			
Called-up share capital	19	72	72
Share premium reserve		4,652	4,652
Retain earnings		74,887	288,883
Shareholder's equity		**79,611**	**293,607**

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

DocuSigned by:

N. Orrin

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N Orrin

Director

The notes on pages 22 to 44 form an integral part of these financial statements.

COSTA EXPRESS LIMITED

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

	Called-up share capital £ 000	Share premium reserve £ 000	Retain earnings £ 000	Total £ 000
At 1 January 2021	72	4,652	228,219	232,943
Profit for the year	-	-	60,664	60,664
Total comprehensive income	-	-	60,664	60,664
At 31 December 2021	**72**	**4,652**	**288,883**	**293,607**

	Note	Called-up share capital £ 000	Share premium reserve £ 000	Retain earnings £ 000	Total £ 000
At 1 January 2022		72	4,652	288,883	293,607
Profit for the year		-	-	61,004	61,004
Total comprehensive income		-	-	61,004	61,004
Dividends	20	-	-	(275,000)	(275,000)
At 31 December 2022		**72**	**4,652**	**74,887**	**79,611**

The notes on pages 22 to 44 form an integral part of these financial statements.

1 General information and basis for preparation

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

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

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

Basis of preparation

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

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

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

Going Concern

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

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

Summary of disclosure exemptions

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

(a) the requirements of 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;

1 General information and basis for preparation (continued)

Summary of disclosure exemptions (continued)

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

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

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

(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 of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

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

(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, and in total; and

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

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

2 Accounting policies

Summary of significant accounting policies

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

Changes in accounting policy

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

2 Accounting policies (continued)

Revenue recognition

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

Sale of food and beverage

The contract is established when the customer orders the drink item and the performance obligation is the provision of drinks by the branded self-service machines. The performance obligation is satisfied when the customer receives the drink, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

Sale of machines

The contract is established when the order for the machine is placed and the performance obligation is satisfied upon delivery of the machine, at which point revenue is recognised.

Finance income and finance costs

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

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

Foreign currency transactions and balances

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

Tax

The income tax charge represents both the income tax payable based on profit for the year, and deferred income tax. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

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

2 Accounting policies (continued)

Tax (continued)

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

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

Property, plant and equipment

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

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

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

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

Depreciation

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

Asset class	**Depreciation method and rate**
Leasehold buildings	Over the period of the lease
Plant and equipment	Four to seven years
Land and buildings	Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their residual values over periods up to fifty years
Furniture, fittings, and equipment	Over three to thirty years

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is calculated on a straight-line basis over the estimated life of the asset and charged to profit and loss as follows:

Asset class	**Amortisation method and rate**
Internally generated software development costs	Over estimated useful life of five years
Internally generated computer software costs	Over three to six years
Other intangibles	Over ten years

2 Accounting policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less.

Inventories

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

Leases

Definition

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

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.

Initial recognition and measurement

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

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

2 Accounting policies (continued)

Leases (continued)

Initial recognition and measurement (continued)
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 date, less any lease incentives received and any initial direct costs.

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

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

The right-of-use assets are separately identifiable on the statement of financial position, the detail of which is in note 14.

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.

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

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

2 Accounting policies (continued)

Leases (continued)

IFRS 16 Leases - COVID-19-Related Rent Concessions (continued)

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

During the period, the Company has agreed rent concessions in the form of rent forgiveness where the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future. The Company has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the income statement.

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.

Impairment of non-financial assets

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

Property, plant and equipment

Express machines within the Company are treated as one CGU. For the year ended 31 December 2022 the Company continues to be a profit-making business with income generated predominantly by its express machines, therefore there are no indicators of impairment.

Intangible assets

Each individual intangible asset is reviewed for indicators of impairment. Any intangible asset with a net book value less then £0.5m that is still in use is deemed to have no indicators of impairment, if the asset is no longer in use then it is fully impaired. Intangible assets greater than £0.5m are individually reviewed using the following criterion for indicators of impairment:
- assessment of market value declines;
- negative changes in technology, markets, economy, or laws;
- increase in market interest rates;
- net assets of the company and higher than market capitalisation.

2 Accounting policies (continued)

Impairment of non-financial assets (continued)
At the period end date there were no indicators of impairment.

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

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

Financial instruments
Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding property, plant and equipment, right of use assets, intangible assets, deferred tax assets, prepayments and deferred tax liabilities.

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

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

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

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

2 Accounting policies (continued)

Financial instruments (continued)

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

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

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

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

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

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

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

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

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

The Company's financial liabilities at amortised costs include trade payables, amounts due to related parties and other payables.

Financial liabilities at fair value through the profit or loss (FVTPL)
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

2 Accounting policies (continued)

Financial instruments (continued)

Derecognition

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

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

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

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

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

2 Accounting policies (continued)

Financial instruments (continued)

Modification of financial assets and financial liabilities

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

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

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

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

Impairment of financial assets

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

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

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

COSTA EXPRESS LIMITED

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

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

Measurement of expected credit losses
Evidence that the financial asset is credit-impaired include the following;

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

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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

Impairment

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

The judgements and estimates underlying impairment testing have resulted in property, plant and equipment being impaired by £748,000 in the period (2021: £Nil); intangibles assets being impaired by £Nil in the period (2021: £Nil); right-of-use assets being impaired by £Nil in the period (2021: £Nil) and the amounts owed by related parties being impaired by £8,510,000 (2021: £8,090,000).

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

4 Turnover

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

	2022 £ 000	2021 £ 000
Sale of goods	344,687	330,103
Rendering of services	3,245	928
Other revenue	195	239
	348,127	331,270

Revenue generated in the United Kingdom was £329,841,000 (2021: £322,266,000) and non-UK revenue was £18,286,000 (2021: £9,004,000).

5 Other income

The analysis of the Company's other gains and losses for the year is as follows:

	2022 £ 000	2021 £ 000
R&D credits	-	560

6 Operating profit

Arrived at after charging/(crediting):

Included in operating costs:	2022 £ 000	2021 £ 000
Depreciation of tangible fixed assets	20,214	18,069
Depreciation on right-of-use assets	276	272
Amortisation expense	4,365	3,904
Operating lease expense	1,435	1,057
Loss on disposal of plant and equipment	800	714
Impairment / (reversal of impairment)	748	(2,304)
Inventory consumed	30,199	25,711
Foreign exchange losses	5,250	710

7 Finance income

	2022 £ 000	2021 £ 000
Interest income on bank deposits	51	-
Other finance income	157	1
	208	1

COSTA EXPRESS LIMITED

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

8 Finance costs

	2022 £ 000	2021 £ 000
Interest expense on leases - property	33	38

9 Staff costs

The Company has no employees (2021: no employees) other than the Directors.

Directors remuneration for the year of £1,733,000 (2021: £1,258,000) were borne by Costa Limited. The highest paid key management personnel received £808,000 (2021: £674,000)

10 Auditor's remuneration

Audit fees for the audit of financial statements for the year of £265,000 were borne by Costa Limited (2021: £265,000).

11 Taxation

Tax charged/(credited) in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax on profits for the period	5,686	5,741
Group relief payable	4,122	6,893
UK corporation tax adjustment to prior periods	61	(738)
	9,869	11,896
Double taxation relief	(14)	(102)
Foreign tax	14	102
Foreign tax adjustment to prior periods	-	9
Total current income tax	**9,869**	**11,905**
Deferred taxation		
Arising from origination and reversal of temporary differences	(456)	763
Difference of prior periods	-	813
Effect of increased/decreased tax rate on opening balance	-	(959)
Total deferred taxation	(456)	617
Tax expense in the income statement	**9,413**	**12,522**

COSTA EXPRESS LIMITED

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

11 Taxation (continued)

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

The tax on profit before tax for the year is different to the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:	2022 £ 000	2021 £ 000
Profit before tax	70,417	73,186
Corporation tax at standard rate	13,379	13,905
Increase/(decrease) in current tax from adjustment for prior periods	61	(729)
Increase from effect of capital allowances depreciation	9	205
Decrease from effect of changes in tax rates	(111)	(582)
Increase from effect of expenses not deductible in determining taxable profit	147	1,537
Decrease from transfer pricing adjustments	(3,988)	(2,521)
Decrease from R&D expenditure credits	-	(106)
Deferred tax expense from unrecognised temporary difference from a prior period	-	813
Branch exemption election	(84)	-
Total tax charge	**9,413**	**12,522**

The corporation tax balance is a liability of £9,641,000 (2021: £5,157,000).

Deferred tax

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Deferred tax asset	3,040	(617)	2,423
	3,040	**(617)**	**2,423**

11 Taxation (continued)

Deferred tax (continued)

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Deferred tax asset	2,423	456	2,879
	2,423	**456**	**2,879**

The deferred tax asset movement in the period is predominantly due to accelerated tax depreciation on property, plant and equipment.

12 Intangible assets

	Internally generated software development costs £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	28,327	300	28,627
Additions	14,372	-	14,372
Disposals	(390)	-	(390)
At 31 December 2022	42,309	300	42,609
Amortisation			
At 1 January 2022	9,726	253	9,979
Charge for year	4,336	29	4,365
Eliminated on disposal	(356)	-	(356)
At 31 December 2022	13,706	282	13,988
Carrying amount			
At 31 December 2022	**28,603**	**18**	**28,621**
At 31 December 2021	18,601	47	18,648

Included within internally generated software development at 2022 was an amount of £18,931,000 (2021: £7,916,000) relating to expenditure for machines in the course of construction.

COSTA EXPRESS LIMITED

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

13 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	1,004	160,964	161,968
Additions	242	30,634	30,876
Disposals	-	(1,167)	(1,167)
At 31 December 2022	1,246	190,431	191,677
Depreciation			
At 1 January 2022	407	89,512	89,919
Charge for the year	127	20,087	20,214
Eliminated on disposal	-	(772)	(772)
Impairment	-	748	748
At 31 December 2022	534	109,575	110,109
Carrying amount			
At 31 December 2022	**712**	**80,856**	**81,568**
At 31 December 2021	**597**	**71,452**	**72,049**

Included within furniture fittings and equipment in the current year was an amount of £20,559,000 (2021: £16,568,000) relating to expenditure for machines in the course of construction.

COSTA EXPRESS LIMITED

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

14 Right-of-use assets

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	2,574	2,574
At 31 December 2022	**2,574**	**2,574**
Depreciation		
At 1 January 2022	728	728
Charge for the year	276	276
At 31 December 2022	**1,004**	**1,004**
Carrying amount		
At 31 December 2022	**1,570**	**1,570**
At 31 December 2021	**1,846**	**1,846**

15 Leases

Leases included in creditors

	2022 £ 000	2021 £ 000
Current portion of long-term lease liabilities	269	268
Long-term lease liabilities	1,333	1,608

The lease liability relates to 3 office buildings that are all due to end in September 2028. The maturity analysis of these leases is as follows:

	2022 £ 000	2021 £ 000
Less than one year	269	268
Between two to five years	1,333	1,405
Greater than five years	-	203
Total lease liabilities (undiscounted)	1,602	1,876

Total cash outflows related to leases

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

Payment	2022 £ 000	2021 £ 000
Right-of-use assets	307	312
Interest	(33)	(38)
Total cash outflow	274	274

COSTA EXPRESS LIMITED

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

16 Inventories

	2022 £ 000	2021 £ 000
Raw materials and consumables	8,457	4,906
Finished goods and goods for resale	12,563	4,339
	21,020	9,245

17 Trade and other receivables

	2022 £ 000	2021 £ 000
Trade receivables	12,608	13,225
Provision for impairment of trade receivables	(761)	(802)
Net trade receivables	11,847	12,423
Amounts due from group companies	10,075	175,918
Prepayments and accrued income	13,942	14,138
Other receivables	-	1,914
Total current trade and other receivables	**35,864**	**204,393**

Included in trade receivables are amounts due from group companies of £48,000 (2021: £553,000). Amounts owed by related parties are interest free and repayable on demand.

18 Trade and other payables

	2022 £ 000	2021 £ 000
Trade payables	13,587	6,643
Amount due to group companies	40,879	7,211
Social security and other taxes	5,409	-
Corporate tax payable	9,641	5,157
Other payables	910	905
Accrued expenses	24,034	20,854
Current portion of long-term lease liabilities (note 15)	269	268
	94,729	41,038

Amounts owed to group companies are interest free and repayable on demand.

18 Trade and other payables (continued)

As part of our continued efforts to improve our working capital efficiency, the Company had worked with its suppliers over the past several years to revisit terms and conditions with majority of them having 60-day and 120-day payment terms. Additionally, two global financial institutions offer a voluntary supply chain finance ("SCF") program which enables its suppliers, at their sole discretion, to sell their receivables from the Company to these financial institutions on a non-recourse basis at a rate that leverages the Company credit rating and thus may be more beneficial to them. The Company and its suppliers agree on the contractual terms for the goods and services it procures, including prices, quantities, and payment terms, regardless of whether the supplier elects to participate in the SCF program. The suppliers sell goods or services, as applicable, to the Company and issue the associated invoices to the Company based on the agreed-upon contractual terms. Then, if they are participating in the SCF program, the Company suppliers, at their sole discretion, determine which invoices, if any, they want to sell to the financial institutions. The Company suppliers' voluntary inclusion of invoices in the SCF program has no bearing on its payment terms. No guarantees are provided by the Company on the SCF program. The Company has no economic interest in a supplier's decision to participate in the SCF program, and it has no direct financial relationship with the financial institutions, as it relates to the SCF program. Accordingly, amounts due to suppliers that elected to participate in the SCF program are included in the line item "Trade and other payables" in the statement of financial position. As of 31 December 2022, supplier balances under this SCF program amounted to £7.4m for Costa Express.

19 Share capital

Allotted, called-up and fully paid shares

	2022 No. 000	2022 £ 000	2021 No. 000	2021 £ 000
Allotted, called up and fully paid				
721,079 Ordinary shares of £0.10 each	721	72	721	72

Nil shares allotted
During the year £nil Ordinary shares were allocated for any aggregate consideration. (2021: £nil).

20 Dividends

On 31 October 2022 the Company declared a dividend of £275m to its parent, Costa Express Holdings Limited (2021: £nil).

21 Related party transactions

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

22 Parent and ultimate parent undertaking

The Company's immediate parent is Costa Express Holdings Limited. The ultimate parent is The Coca-Cola Company, Atlanta, Georgia, USA. The smallest and largest parent preparing consolidated financial statements is The Coca-Cola Company. The ultimate controlling party is The Coca-Cola Company.

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

23 Events after the balance sheet date

There have been no significant events since the end of the financial period that require disclosure in the financial statements.

24 Financial guarantees

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