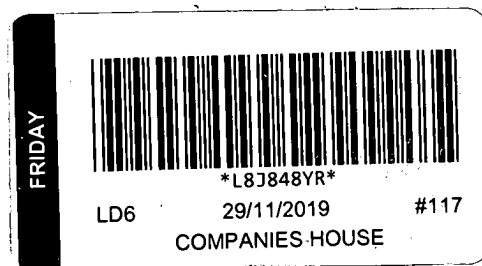


Costa Express Holdings Limited

Annual Report and Financial Statements

for the Year Ended 28 February 2019

Company Number : 06543325



COSTA EXPRESS HOLDINGS LIMITED

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COSTA EXPRESS HOLDINGS LIMITED

Company Information

Directors	S Highfield S Martin N Orrin
Company secretary	R Fairhurst
Registered office	3 Knaves Beech Loudwater High Wycombe Buckinghamshire HP10 9QR
Registered number:	06543325
Statutory auditor	Deloitte LLP 1 New Street Square London United Kingdom

COSTA EXPRESS HOLDINGS LIMITED

Strategic Report for the Year Ended 28 February 2019

The directors present their strategic report for the period from 2 March 2018 to 28 February 2019.

Fair review of the business

The loss for the period after taxation, is £765,405 (2018: £1,189,190).

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

	2019	2018	Change
	£'000	£'000	
Loss for financial year	(766)	(1,189)	-36 %
Shareholder's equity	(23,396)	(22,631)	3 %

As the Company is not involved in any trading activities, the directors are not required to monitor non-financial key performance indicators.

The Company is a holding company and has balances with group undertakings. Following the acquisition of the Costa Group by The Coca-Cola Company on 3 January 2019, finance costs have not been accrued on loans with group undertakings from this date to 28 February 2019. This has resulted in lower finance costs which lead to a lower loss after taxation than in the prior year.

The acquisition of the Costa Group by The Coca-Cola Company presents new strategic opportunities that the Company will be exploring.

Principal risks and uncertainties

The largest risk facing the Company is if either the trading subsidiary ceased to trade or if the intercompany balances were called for repayment by the Group. The Company has assurances from the Costa Group in both instances which mitigates this risk. The following are the principal risks for the trading subsidiary:

Climate Change - Risk: Climate change may impact the coffee bean prices.

Mitigation: Costa recognises that to have a sustainable coffee business we need to invest in a sustainable coffee supply, ensuring that our coffee is grown in a way that protects the environment and allows the communities growing our coffee to thrive. We closely monitor the risk of climate change on our coffee bean price and mitigate the risk through buying Rainforest Alliance certified coffee, as protecting the environment and using climate smart agriculture systems are built into their rating systems. 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 diverse stakeholders including farmers, businesses, consumers and more, the Rainforest Alliance is building an alliance to improve livelihoods, protect biodiversity, amplify the voices of farmers and forest communities, and help them mitigate and adapt to climate change.

Brexit - Risk: A 'no deal' Brexit carries the increased risk of disruption to coffee exports, raw material imports, the availability of labour and in addition, an increased financial exposure on foreign exchange and duty tariffs.

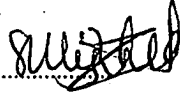
Mitigation: The directors of the company are closely monitoring the impact of UK's exit from the European Union. The risks being identified and mitigated are split between macro and micro-economics. The macro-economic risks relate to consumer attitude and behaviour, whilst micro-economic risks are the export supply of roasted coffee, raw material imports, the hiring and retention of labour, plus financial related risks around foreign exchange and duty tariffs. We have contingency plans firmly in place and continue to evolve these with our major suppliers to help maintain the supply of key products lines and alternatives. The Company will continue to monitor the progress of Brexit and mitigate the risks identified.

COSTA EXPRESS HOLDINGS LIMITED

Strategic Report for the Year Ended 28 February 2019 (continued)

Approved by the Board on 26 November 2019 and signed on its behalf by:

.....
S Highfield
Director

A handwritten signature in black ink, appearing to read 'S Highfield', is written over a dotted line.

COSTA EXPRESS HOLDINGS LIMITED

Directors' Report for the Year Ended 28 February 2019

The directors present their report and the financial statements for the period from 2 March 2018 to 28 February 2019.

Principal activity

The principal activity of the Company during the year was that of a holding company, maintaining oversight over its subsidiary but not participating in any trading activity. On 3 January 2019 European Refreshments, a wholly owned subsidiary of The Coca-Cola Company, acquired the group of companies owned by Costa Ltd ("the Costa Group"), which includes this Company, from Whitbread PLC. The Company is well placed to look at strategic opportunities by capitalising on Coca-Cola's strength and market expertise.

Directors of the Company

The directors, who held office during the year and up to the date of this report were as follows:

S Highfield

S Martin

N Orrin

Dividends

The directors do not recommend a final dividend payment be made in respect of the financial period ended 28 February 2019 (2018: £nil).

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 has no major exposure to price risk.

Credit risk

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's policies are aimed at minimizing such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk

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

Cash flow risk

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

Future developments

No significant developments are expected.

Events after the balance sheet date

There were no significant events after the balance sheet date which would require disclosure in these accounts.

COSTA EXPRESS HOLDINGS LIMITED

Directors' Report for the Year Ended 28 February 2019 (continued)

Going concern

The financial position of the Company is set out in these financial statements. As at 28 February 2019, the Company's liabilities exceeded its assets by £23,395,945.

The accounts have been prepared on the going concern basis on the grounds that the parent company has confirmed its current intention to provide support so the Company may continue operations for the next twelve months from the date of the approval of these accounts.

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 for the year ended 28 February 2019 and remains in place at the date of this report.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

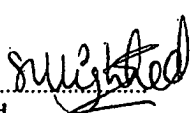
This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

Following the change in ownership of the Company, Deloitte LLP will resign as auditor following the issuance of the Annual report and Financial Statements.

Appointment of auditor

Ernst & Young will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 26 November 2019 and signed on its behalf by:


S Highfield
Director

COSTA EXPRESS HOLDINGS LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards 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.

Independent Auditor's Report to the members of Costa Express Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Costa Express Holdings Limited (the 'Company'), which comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 14 including the Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), in accordance with the provisions applicable to companies subject to the small companies regime.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Costa Express Holdings Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial period 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.

In the light of our 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 and the Directors' Report.

**Independent Auditor's Report to the members of Costa Express Holdings Limited
(continued)**

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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.



.....
Lucy Openshaw (Senior statutory auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London

Date: 26 November 2019
.....

COSTA EXPRESS HOLDINGS LIMITED

Income Statement for the Year Ended 28 February 2019

		Year ended 28 February 2019 £ 000	Year ended 1 March 2018 £ 000
	Note		
Operating profit/(loss)		-	-
Finance costs	5	<u>(945)</u>	<u>(1,470)</u>
Loss before tax		<u>(945)</u>	<u>(1,470)</u>
Tax credit	7	<u>179</u>	<u>281</u>
Loss for the year		<u><u>(766)</u></u>	<u><u>(1,189)</u></u>

The above results were derived from continuing operations.

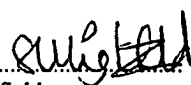
There are no items to be included in the Statement of Comprehensive Income and accordingly a separate Statement of Comprehensive Income has not been presented.

COSTA EXPRESS HOLDINGS LIMITED

Balance Sheet as at 28 February 2019

	Note	28 February 2019 £ 000	01 March 2018 £ 000
Assets			
Non-current assets			
Investments	8	11,703	11,703
Current assets			
Income tax asset	7	179	281
Total assets		11,882	11,984
Current liabilities			
Trade and other payables	9	(35,278)	(34,614)
Net liabilities		(23,396)	(22,630)
Equity			
Called up share capital	10	1	1
Share premium reserve		65	65
Profit and loss account		(23,462)	(22,696)
Total equity		(23,396)	(22,630)

Approved by the Board on 26 November 2019 and signed on its behalf by:


S Highfield
Director
Company number : 06543325

COSTA EXPRESS HOLDINGS LIMITED

Statement of Changes in Equity for the Year Ended 28 February 2019

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 3 March 2017	1	65	(21,507)	(21,441)
Loss for the period	-	-	(1,189)	(1,189)
Total comprehensive income	-	-	(1,189)	(1,189)
At 1 March 2018	<u>1</u>	<u>65</u>	<u>(22,696)</u>	<u>(22,630)</u>

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 2 March 2018	1	65	(22,696)	(22,630)
Loss for the period	-	-	(766)	(766)
Total comprehensive income	-	-	(766)	(766)
At 28 February 2019	<u>1</u>	<u>65</u>	<u>(23,462)</u>	<u>(23,396)</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019

1 General information

The Company is a private company limited by share capital incorporated 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
Loudwater
High Wycombe
Buckinghamshire
HP10 9QR

These financial statements were authorised for issue by the Board on 26 November 2019.

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.

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and are presented in pounds sterling. The functional currency is pounds sterling also.

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). The financial statements have therefore been prepared in accordance with FRS 101.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Costa Limited. The group accounts of Costa Limited are available to the public and can be obtained at Companies House.

The financial year represents 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

Summary of disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Costa Limited.

Going concern

The financial position of the Company is set out in these financial statements. As at 28 February 2019, the Company's liabilities exceeded its assets by £23,395,945

The financial statements have been prepared on a going concern basis on the grounds that the parent company has confirmed its current intention to provide support so the Company may continue to exist for the next twelve months from the date of the approval of these accounts.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 2 March 2018 and have had an effect on the financial statements:

IFRS 15 Revenue from Contracts with Customers

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

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

The Company has assessed there is no impact on the financial statements.

IFRS 9 Financial Instruments

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

The Company applied the modified retrospective method of adoption of IFRS 9 Financial Instruments from 2 March 2018, which had no impact on retained earnings, or the values of assets and liabilities in these financial statements.

None of the other standards, interpretations and amendments effective for the first time from 2 March 2018 have had a material effect on the financial statements.

Income 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.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

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

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

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

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

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

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

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

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

Classification and measurement

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:-

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

Financial assets at amortised cost

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

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

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

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

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

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

Financial liabilities at amortised cost

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

Financial liabilities at fair value through the profit or loss

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

Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

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

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

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

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

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

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

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

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

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

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

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

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

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

2 Accounting policies (continued)

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 28 February 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Key accounting judgements and estimates

The preparation of the 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. However, the nature of estimation means that the actual outcomes could differ from those estimates. In the process of applying the Group's accounting policies, the Directors have considered whether there are any such sources of estimation or critical accounting judgements in forming the financial statements and do not consider there to be any for the purposes of disclosure.

4 Staff costs

The Company has no employees (2018: no employees) other than the directors, who did not receive any remuneration (2018: £Nil). All fees paid to directors as remuneration are borne by Costa Limited (2018: a former parent company, Whitbread Group PLC) and it is not practical to allocate the amount for services in respect of this Company.

5 Finance costs

	Year ended 1 March 2019 £ 000	Year ended 1 March 2018 £ 000
Interest paid to group undertakings	<u>945</u>	<u>1,470</u>

Following the acquisition of the Costa Group by The Coca-Cola Company on 3 January 2019, finance costs have not been accrued on loans with group undertakings from this date to 28 February 2019.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

6 Auditors' remuneration

Audit fees for the audit of financial statements for the year of £1,000 were borne by Costa Limited (2018: £1,000 were paid by the former parent company, Whitbread Group PLC). Information about the total audit fees paid by the Group can be found in the Costa Limited Annual Report and Accounts for the year ended 28 February 2019.

7 Taxation

Tax charged/(credited) in the income statement

	Year ended 1 March 2019 £ 000	Year ended 1 March 2018 £ 000
Current income tax		
UK corporation tax on losses for the period	<u>(179)</u>	<u>(281)</u>

Factors affecting the tax charge for the year:

There were no factors that affected the tax charge for the year which has been calculated on the losses on activities before tax at the standard rate of corporation tax in the UK of 19% (2018: 19.08%).

Factors that may affect future tax charges:

The Finance Act 2016 reduced the main rate of UK corporation tax to 17% from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also impact the amount of future cash tax payments to be made by the Company.

The corporation tax balance is a debtor of £179,000 (2018: £281,000).

8 Investments

Subsidiaries	Investment in subsidiary company £ 000	Total £ 000
Cost or valuation		
At 2 March 2018	<u>11,703</u>	<u>11,703</u>
At 28 February 2019	<u>11,703</u>	<u>11,703</u>
Provision		
Carrying amount		
At 28 February 2019	<u>11,703</u>	<u>11,703</u>

The investment is directly held by the Company.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

8 Investments (continued)

Details of the subsidiaries as at 28 February 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation, principal place of business and registered office.	Proportion of ownership interest and voting rights held	
			2019	2018
Costa Express Limited	The sale of coffee and other beverages from branded self-serve coffee machines	England 3 Knaves Beach, Loudwater, High Wycombe, Buckinghamshire, HP10 9QR.	100%	100%

9 Trade and other payables

	28 February 2019 £ 000	01 March 2018 £ 000
Amounts due to group undertakings	<u>35,278</u>	<u>34,614</u>

Amounts due to related parties are repayable on demand and carry an average quarterly interest rate based upon the group funding, however following the acquisition of the Costa Group by The Coca-Cola Company on 3 January 2019, finance costs have not been accrued on loans with group undertakings from this date to 28 February 2019.

10 Share capital

Allotted, called up and fully paid shares

	28 February 2019		1 March 2018	
	No. 000	£ 000	No. 000	£ 000
A Ordinary of £0.01 each	72	1	72	1
B Ordinary of £0.01 each	25	-	25	-
Deferred of £0.01 each	3	-	3	-
	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

The shares have attached to them full voting rights.

Rights, preferences and restrictions

A Ordinary have the following rights, preferences and restrictions:

The shares have attached to them full voting rights.

B Ordinary have the following rights, preferences and restrictions:

The shares have attached to them full voting rights.

Deferred have the following rights, preferences and restrictions:

The holders are entitled to receive notice of all General Meetings, but are not entitled to attend or vote.

COSTA EXPRESS HOLDINGS LIMITED

Notes to the Financial Statements for the Year Ended 28 February 2019 (continued)

11 Dividends

The directors are proposing a final dividend of £Nil (2018 - £Nil) per share totalling £Nil (2018 - £Nil). This dividend has not been accrued in the statement of financial position.

12 Related party transactions

The Company is a wholly-owned subsidiary of The Coca-Cola Company (2018: Whitbread PLC), 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.

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

The smallest and largest parent preparing consolidated financial statements is Costa Limited.

These financial statements are available upon request from Companies House.

14 Parent and ultimate parent undertaking

On 3 January 2019 the Costa Group was purchased by The Coca-Cola Company.

The Company's immediate parent is Costa Limited.

The ultimate parent is The Coca-Cola Company, Atlanta, Georgia, USA.