

## **Fevertree Limited**

Report and Financial Statements

Year Ended

31 December 2018

Company Number 05291668

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# **Fevertree Limited**

## **Report and financial statements for the year ended 31 December 2018**

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### **Directors**

C T Rolls (Resigned 13<sup>th</sup> June 2019)

T D G Warrillow

A Branchflower (Appointed 13<sup>th</sup> June 2019)

### **Registered office**

Kildare House, 3 Dorset Rise, London, EC4Y 8EN

### **Company number**

05291668

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# **Fevertree Limited**

## **Strategic report for the year ended 31 December 2018**

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

### **Principal activity**

The principal activity of the Company in the year under review continued to be that of development and distribution of premium mixer drinks.

Head Office is based at 186-188 Shepherds Bush Road, London, W6 7NL.

### **Review of business**

The directors manage the business on the key indicators of turnover, gross margin and EBITDA. The focus of the company changed from 19 February 2018 to focus on the production and sale of product to other entities within the Fever-Tree Group as opposed to direct sales to third party customers. This has had a significant impact on the key indicators of performance.

Fevertree Limited's turnover of £225,744k (2017: 170,172k), represented growth of 33% (2017: 66%). The gross margin of 45.6% (2017: 53.4%) remained robust but decreased from 2017. This was largely an effect of the change in operating model described above. EBITDA of £77,351k (2017: £59,764k) was ahead of expectations and represents a successful year for the business. The Company continued to strengthen its position within the UK mixer drink market.

The directors expect the Company to continue to operate in its existing and related markets and to develop its product lines.

### **Principal risks and financial uncertainties**

#### *Financial risk management*

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, price risk and liquidity risk.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. At 31 December 2018, the Company has net trade and other receivables of £63,705k (2017: £57,103k). The Company is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Company's financial results. In order to minimise this risk, the Company endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The vast majority of credit sales are to other members of the Fever-Tree Group. These are considered low risk due to no history of default, the distribution agreements governing the relationships between the Company and the other entities of the Fever-Tree Group, and the fact that the same management team are responsible for all the UK subsidiaries in the Group. However, in order to minimise this risk still further, the Company monitors aggregate financial exposure on an ongoing basis.

The Company performs an expected credit loss assessment for all trade receivables to calculate a provision for expected credit loss, based on historical credit loss information, current conditions and forecasts of future economic conditions. For the reasons outlined above, the outcome of this assessment has been that the probability of impairment loss on intercompany receivables is negligible, hence the provision is nil.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings.

# **Fevertree Limited**

## **Strategic report for the year ended 31 December 2018**

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### *Pricing risk*

Pricing risk is the risk that oscillation in the price of key input costs will affect the profitability of the business. The Company manages this risk by agreeing long-term prices with suppliers where possible.

### *Liquidity risk*

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company actively manages its cash generation and maintains sufficient cash holdings to cover its immediate obligations.

The Company currently holds substantial cash balances in Sterling, US Dollars and Euros. The Company also has access to additional equity funding. Trade and other payables are monitored as part of normal management routine.

### *Market risk*

Market risk arises from the Company's tradable and foreign currency financial instruments. It is the risk that the fair value, or future cash flows, of a financial instrument will fluctuate because of changes in the foreign exchange rates (foreign exchange risk).

### *Foreign exchange risk*

The Company is subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution market and sourcing of raw materials in various jurisdictions. To mitigate this risk the Company employs a dynamic 12 month hedging strategy for Euro and US Dollars, which includes a degree of natural hedging on both Euro and US Dollars due to local spend in those currencies, and the implementation of forward contracts against reducing proportions of forecast net inflows of each currency over a 12-month window.

### *Commercial and Operational Risks*

#### *Competition*

The Company exists primarily to manufacture product to sell to its subsidiaries, who will then sell on to external customers. Therefore, competitive factors affecting the sales of subsidiaries will have a direct impact on the Company. The Company and its subsidiaries face competition from other beverage companies in the mixer category, and this could intensify in the Company's core markets through other companies further increasing focus and investment in their existing brands, introducing their own brands or acquiring local brands. Increased competition and unanticipated actions by competitors could lead to a decline in the Company's market share or downward pressure on prices, which may have a materially adverse effect on the Company's operations and hinder its growth potential. However, the Company has faced significant competition over its lifetime and despite this has successfully built share in all of the regions in which it operates. The Company's first mover advantage, product quality, brand strength and diverse territorial, channel and customer mix all combine to mitigate the risk of increased competition affecting overall Company performance.

#### *Political and Economic Environment*

A worsening of the economic conditions in the Company's key geographic markets could lead to reduced consumer confidence and spending, reduced demand for products and limitations on the Company's ability to increase or maintain the prices of its products. However, following the last financial crisis in 2008, the Company's trend of strong growth continued, giving the Company confidence in its ability to grow even in periods of economic downturn. In addition, the position of the Company's products as an affordable luxury would be expected to mitigate the impact of worsening economic conditions on consumer demand.

# Fevertree Limited

## Strategic report for the year ended 31 December 2018 *(continued)*

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The Company is closely monitoring the potential impact and risks of the UK's exit from the European Union, including leaving the EU without a deal, and most notably is assessing the potential impact of the introduction of trade tariffs and the potential supply chain disruption that could result from increased customs checks at borders. The Company has a designated Committee who meet regularly to assess preparedness against the different potential scenarios. The Company operates an outsourced business model and manufactures across three different sites in the UK and three in Europe. In addition, the Company is working with its European importers to ensure they are holding sufficient inventory to be able to absorb any short-term disruption that could occur. Overall, this provides the Company with operational flexibility in its supply chain and the ability to respond to and mitigate some of the potential impacts of the different scenarios given, at the time of writing, the ongoing uncertainty around the terms of the UK's exit from the EU.

### *Disruption to Outsourced Production and Logistics*

The Company relies on outsourced production and bottling partners, and whilst bottling volume is increasingly being spread across these partners, the majority of its volume is still bottled by one main bottling partner in the UK. The Company also relies on third party warehousing facilities in the UK and the US. In addition, the Company is dependent on the supply of a number of key ingredients for its products, such as quinine and fresh green ginger, for which there are a limited number of suppliers.

The Company would be affected if there were a significant disruption to any of the Company's key raw material suppliers, production, storage or distribution operations. In the event of such disruption the Company may not be able to arrange for alternative supply, production, storage or distribution on as favourable terms, or with sufficient speed to ensure continuity of business.

To mitigate this risk, the Company continues to increase its footprint of outsourced production and now manufactures with six different partners across the UK and Europe. In addition, the Company's principal UK bottling partner manufactures the Company's products across four bottling lines located in four distinct buildings across two separate sites. To further mitigate risk, alongside holding appropriate insurance cover, the Company operates a business continuity plan which monitors and seeks to improve the redundancy of supply and reduce lead times in the event of disruption in all aspects of the outsourced business model.

### *Inconsistent quality or contamination of the Company's products*

A lack of consistency in the quality of products or contamination of the Company's products, whether occurring accidentally or through deliberate third party action, could harm the integrity of, or consumer support for, the brand and adversely affect sales. A significant product liability issue or a widespread product recall could negatively impact the reputation of the affected product and/or the Company's brand for a period of time depending on product availability, competitive reaction and consumer attitudes.

To mitigate this risk the Company employs an experienced Technical and Quality Director who, together with a Technical team that grew significantly during 2018, works closely with key suppliers and our bottlers and canners to ensure appropriate systems and controls are in place to minimise the risk of quality or contamination issues. This included a rigorous due diligence process to evaluate the quality controls of new manufacturers and suppliers onboarded in 2018.

### *Key Management*

The Company's success is linked to the efforts and abilities of key personnel and its ability to retain such personnel. The executive management team has significant experience in the industry and has made an important contribution to the Company's growth and success. The loss from the Company of a member of the executive management team could have an adverse effect on operations. To mitigate this risk, the Company's Remuneration Policy is designed to attract, retain and motivate key management and includes a long-term incentive scheme and performance-related pay. Directors are remunerated by the Company's parent but other key management personnel are remunerated by the Company.

# Fevertree Limited

## Strategic report for the year ended 31 December 2018 *(continued)*

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### Going concern

The directors consider that the Company has sufficient financial resources in place at the balance sheet date such that it is reasonable to continue to adopt the going concern basis in preparing the financial statements for the year.

### Approval

This strategic report was approved by order of the Board on 25/09/2019



A Branchflower  
Director

# **Fevertree Limited**

## **Directors' report for the year ended 31 December 2018**

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

### **Results and dividends**

The income statement is set out on page 10 and shows the profit for the year.

The directors do not recommend the payment of a final dividend. Total interim dividends of £20,000,000 (2017: £20,000,000) were approved by the Company's shareholders in the year.

The Company generated revenues for the year of £225.7m (2017: £170.2m). The profit for the year after taxation amounted to £68.4m (2017: £48.1m).

### **Directors**

The directors of the Company during the year were:

C T Rolls  
T D G Warrillow

### **Directors' responsibilities**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" ("FRS 101"), and applicable law). 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures 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.

The directors have included information on likely future developments in the business of the Company and information in relation to financial risk management and exposure to certain risks and financial uncertainties in the strategic report on pages 1, 2, 3 and 4.

# **Fevertree Limited**

## **Directors' Report for the year ended 31 December 2018**

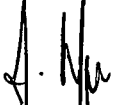
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### **Auditor**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### **Approved on behalf of the Board**



**A Branchflower  
Director**

25/09/2019



# **Fevertree Limited**

## **Independent Auditor's Report to members of Fevertree Limited**

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### **Opinion**

We have audited the financial statements of Fevertree Limited ("the Company") for the period ended 31 December 2018 which comprise the income statement, the statement of financial position, the statement of changes in equity and the notes to the financial statements, 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period 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**

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

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

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the 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 this regard.

# **Fevertree Limited**

## **Independent Auditor's Report to members of Fevertree Limited (continued)**

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### **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 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.

### **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 and Director's 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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Fevertree Limited**

### **Independent Auditor's Report to members of Fevertree Limited (continued)**

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#### **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.

*BDO LLP*

Diane Campbell (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

25/09/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Fevertree Limited

## Income statement

**for the year ended 31 December 2018**

		<b>2018</b>	<b>2017</b>
	Note	£'000	£'000
<b>Turnover</b>	<b>3</b>	<b>225,744.3</b>	<b>170,171.7</b>
Cost of sales		(122,823.2)	(79,245.4)
<b>Gross profit</b>		<b>102,921.1</b>	<b>90,926.3</b>
Administrative expenses		(24,831.5)	(31,568.2)
<b>Operating profit</b>	<b>5</b>	<b>78,089.6</b>	<b>59,358.1</b>
Finance income	6	265.7	56.3
Finance expense	6	(12.2)	-
<b>Profit on ordinary activities before tax</b>		<b>78,343.1</b>	<b>59,414.4</b>
Tax expense on ordinary activities	7	(9,901.0)	(11,360.8)
<b>Profit and total comprehensive income for the year</b>		<b>68,442.1</b>	<b>48,053.6</b>

None of the Company's activities were acquired or discontinued during the current year or previous year.

The notes on pages 13 to 25 form part of these financial statements

# Fevertree Limited

## Statement of financial position

at 31 December 2018

<i>Company number 05291668</i>		<b>2018</b>	<b>2017</b>
	Note	£'000	£'000
<b>Non-current assets</b>			
Tangible fixed assets	8	2,734.3	1,995.6
Investments in subsidiaries	18	-	0.1
Other financial assets	19	3,233.3	-
<b>Total non-current assets</b>		<u>5,967.6</u>	<u>1,995.7</u>
<b>Current assets</b>			
Inventories	9	25,077.4	13,235.7
Trade and other receivables	10	63,705.4	57,103.2
Derivative financial instruments	11	-	230.2
Cash and cash equivalents		<u>38,643.9</u>	<u>28,510.4</u>
<b>Total current assets</b>		<u>127,426.7</u>	<u>99,079.5</u>
<b>Creditors: amounts falling due within one year</b>	12	(26,024.5)	(42,372.7)
Derivative financial instruments	11	<u>(309.0)</u>	<u>-</u>
<b>Net current assets</b>		<u>101,093.2</u>	<u>56,706.8</u>
<b>Total assets less current liabilities</b>		107,060.8	58,702.5
<b>Provisions for liabilities</b>	13	(56.5)	(140.3)
<b>Net Assets</b>		<u>107,004.3</u>	<u>58,562.2</u>
<b>Capital and reserves</b>			
Share capital	14	103.9	103.9
Share premium	15	8,619.3	8,619.3
Retained earnings	15	98,281.1	49,839.0
<b>Total equity</b>		<u>107,004.3</u>	<u>58,562.2</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25/09/2019

  
 A Branchflower  
 Director

The notes on pages 13 to 25 form part of these financial statements

# Fevertree Limited

## Statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
<b>Equity as at 31 December 2016</b>	103.9	8,619.3	21,785.4	30,508.6
Profit for the year	-	-	48,053.6	48,053.6
Dividends paid	-	-	(20,000.0)	(20,000.0)
<b>Equity as at 31 December 2017</b>	103.9	8,619.3	49,839.0	58,562.2
Profit for the year	-	-	68,442.1	68,442.1
Dividends paid	-	-	(20,000.0)	(20,000.0)
<b>Equity as at 31 December 2018</b>	103.9	8,619.3	98,281.1	107,004.3

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018

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### 1. Accounting policies

Fevertree Limited is a private company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England. The address of the registered office is given on the company information page.

The principal activity of the Company is that of developer and distributor of premium mixer drinks.

#### ***Basis of preparation***

The financial statements of Fevertree Limited have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Sterling.

These are the first financial statements of the Company to apply IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- certain disclosures required by IFRS 15 *Revenue from Contracts with Customers*;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with wholly owned fellow group companies.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Fevertree Drinks plc. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Business combinations;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value) and;
- The disclosure of non-audit services

#### ***New accounting policies and standards***

**IFRS 9 Financial Instruments** replaces IAS 39 Financial Instruments: Recognition and Measurement and was adopted on 1 January 2018. The Company has applied IFRS 9 retrospectively; however, the adoption of the standard did not lead to restatement of the Company's results for 2017. The primary impact of the adoption of IFRS 9 has been regarding the method of calculation of the bad debt provision following the introduction of the expected credit loss method in IFRS 9. The impact of this change has not, however, been material.

Financial assets classified as loans and receivables under IAS 39 are now classified as assets held at amortised cost. Classification of other financial assets and liabilities has not been affected.

The Company does not currently employ hedge accounting; however, it intends to apply the IFRS 9 hedge accounting model in the future.

# **Fevertree Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2018 (continued)**

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**IFRS 15 Revenue from Contracts with Customers** was also adopted with a date of initial application of 1 January 2018 using the cumulative effect method, without restatement of comparative period amounts. Revenue in the Company is solely driven by the sale of goods to customers, representing a single performance obligation that is satisfied when the goods are delivered or made available ex-works. The Company is taking advantage of the exemption in FRS101 from making certain disclosures required by IFRS 15. The implementation of IFRS 15 has not had a significant impact on the accounting policies of the Company regarding the timing of revenue recognition and has had no impact on the primary financial statements.

### ***Turnover***

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when its performance obligations are fulfilled and it transfers control over a good to a customer. There is only one type of product – premium carbonated mixers – thus the revenue recognition policy is consistent across all sales.

Revenue is recorded based on the price specified in sales invoices, net of any agreed discounts and rebates and exclusive of value added tax on goods supplied to customers during the year. There are a variety of discounts and rebates provided to customers, which are assessed on a case by case basis. If a payment to a customer is judged to be for a distinct good or service, this is accounted for as a cost in administrative expenses. If the payment is judged to represent a discount, this is accounted for as a reduction in the underlying transaction price. Management will restrict revenue to the amount which is highly unlikely to subsequently be reduced by promotion or discount. This is closely aligned to previous accounting practice. Accruals are included in the statement of financial position in respect of expected amounts necessary to meet the claims of the Company's customers based on discount and rebate agreements in place. None of the discounts or rebates result in a material right being provided to the customer, as there are no cases where customers are given the option to purchase at a discount in the future as a result of their historic purchases. Therefore, the Company continues to recognise discounts and rebates in line with historic accounting practice.

Given the new group corporate structure in place from February 2018, the majority of the Company's revenue now comes from intercompany sales. No discounts and rebates are currently applied to intercompany sales.

### ***Expenditure***

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when a present obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

### ***Tangible fixed assets***

Items of tangible fixed assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Subsequently tangible fixed assets are stated at cost less the accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Depreciation is provided on all items of tangible fixed assets so as to write off their carrying value over the expected useful economic lives. It is included within administrative expenses and is charged at the following rates:

Leasehold properties	over the life of the lease
Fixtures and fittings	33% per annum straight line
Re-usable crates	20% per annum straight line
Motor vehicles	20% per annum straight line



# **Fevertree Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2018 (continued)**

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### **1. Accounting policies - Continued**

#### ***Financial assets***

The Company classifies its financial assets into the categories discussed below, based upon the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

#### ***Fair value through profit or loss***

This category comprises only in-the-money derivatives (see "Financial liabilities" section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

#### ***Loans and receivables***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Company's loans and receivables comprise trade and other receivables included within the statement of financial position.

The Company performs an expected credit loss assessment for all trade receivables to calculate a provision for expected credit loss, based on historical credit loss information, current conditions and forecasts of future economic conditions. The vast majority of the Company's trade receivables are intercompany and the outcome of this assessment has been that the probability of impairment loss on these receivables is negligible, hence the provision is nil.

Cash and cash equivalents include cash held at bank as well as demand deposits and short-term deposits. The carrying amount of these assets approximates to their fair value.

#### ***Financial liabilities***

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired:

#### ***Fair value through profit or loss***

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

#### ***Other financial liabilities***

- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

# **Fevertree Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2018 (continued)**

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### **1. Accounting policies - Continued**

#### ***Impairment of non-financial assets***

Non-financial assets (other than goodwill and indefinite life intangible assets) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset is judged to exceed its recoverable amount (i.e. the higher of value in use or the fair value less costs to sell), the asset is written down accordingly. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the lowest group of assets, in which the asset belongs, for which there are separately identifiable cash flows).

Impairment charges, and the reversal of previous impairment charges, are expensed/credited to the income statement.

#### ***Share Capital***

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

#### ***Leased Assets***

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an 'operating lease'), the total rentals payable under the lease are charged to the income statement on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

IFRS 16 Leases (which is not yet effective and has not been adopted early in these financial statements) will have an effect on the Company's future financial statements. The Company is required to adopt IFRS 16 Leases on 1 January 2019. IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the lessee classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise right of use assets and lease liabilities for leases that have a term of greater than a year. Low value items can be excluded from this new treatment. Lessor accounting is largely unchanged from the current accounting standards. The Company is not a lessor.

#### ***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

# **Fevertree Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2018 (continued)**

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### **1. Accounting policies - Continued**

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

#### ***Inventories***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost comprises all costs of purchase, costs of conversion and other direct costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

#### ***Foreign currency***

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

#### ***Dividend distribution***

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

#### ***Investments***

Investments are shown at cost less amounts written off. Provisions are made for any impairment in value. Income is included in the financial statements in the year in which it is receivable.

### **2. Critical accounting estimates and judgements**

Management has made estimates and accounting judgements within the financial statements; these are reviewed regularly and revisions to estimates are recognised prospectively. Judgement is involved in determining whether payments to customers are in exchange for a distinct good or service under IFRS 15 or are instead a reduction in transaction price. Management carefully assess what is received in each individual arrangement with customers to determine the correct accounting treatment. Third party evidence is obtained to corroborate the information provided by customers. In the absence of clear evidence to the contrary, payments to customers are recognised as reductions to revenue.

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 3. Turnover

#### A) Revenue streams

There is one revenue stream, being the sale of premium carbonated mixers.

	2018	2017
	£'000	£'000
Revenue arises from:		
Sale of goods	225,744.3	170,171.7

An analysis of turnover by geographical market is given below:

	2018	2017
	£'000	£'000
United Kingdom	129,408.3	87,778.2
United States of America	39,144.6	29,539.5
Europe	45,794.4	44,741.0
Rest of the World	11,397.0	8,113.0
	225,744.3	170,171.7

#### B) Contract balances

The following table provides information about receivables from contracts with customers.

£'000	Note	31 December 2018	1 January 2018
Receivables, which are included in "trade and other receivables"	10	20.9	46,185.6

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

### 4. Employees

	2018	2017
	£'000	£'000
Wages and salaries	5,398.3	2,844.4
Social security costs	824.8	318.4
Pension costs	225.0	54.6
	6,448.1	3,217.4

The average monthly number of employees during the year was as follows:

	2018	2017
	Number	Number
Directors	2	2
Staff	88	49
	90	51

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

No Directors received any emoluments during the current or prior period. All Directors' remuneration was paid by the parent company Fevertree Drinks plc.

### 5. Operating profit

This has been arrived at after charging:

	<b>2018</b>	<b>2017</b>
	£'000	£'000
Foreign exchange realised (gain)/loss	(258.1)	1,074.7
Foreign exchange unrealised (gain)/loss	(374.0)	(1,282.0)
Depreciation of property, plant and equipment	738.6	405.5
Operating lease payments		
- Premises	255.5	209.2
- Equipment and vehicles	21.6	24.8
Logistics and warehousing	12,313.4	10,515.9
Discretionary marketing	18,102.3	12,866.8
International transition costs	-	4,830.3
Auditors' remuneration:		
Fees for audit of the Company	91.0	50.0
Fees for taxation services	127.1	-

### 6. Finance income and expense

	<b>2018</b>	<b>2017</b>
	£'000	£'000
<b>Finance income</b>		
Bank interest	265.7	56.3
	<u>265.7</u>	<u>56.3</u>
 <b>Finance expense</b>		
Bank charges	12.2	-
	<u>12.2</u>	<u>-</u>

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 7. Taxation

	<b>2018</b>	<b>2017</b>
	£'000	£'000
<b>Current tax expense</b>		
Current tax on profits for the period	10,662.8	11,251.4
Adjustment in respect of prior period	(679.7)	90.4
Foreign taxation	1.7	-
	<u>9,984.8</u>	<u>11,341.8</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(83.8)	19.0
	<u>(83.8)</u>	<u>19.0</u>
<b>Total tax expense</b>	<u>9,901.0</u>	<u>11,360.8</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profit for the year are as follows:

	<b>2018</b>	<b>2017</b>
	£'000	£'000
Profit for the year	78,343.1	59,414.4
Expected tax charge based on corporation tax rate of 19% in 2018 (19.25% in 2017)	14,885.2	11,437.3
Group relief claim	(4,342.7)	(157.2)
Adjustment in respect of prior period	(679.7)	90.4
Adjustment in respect of current period	9.9	-
US state income tax	-	7.3
Other differences	28.3	(17.0)
<b>Total tax expense for the year</b>	<u>9,901.0</u>	<u>11,360.8</u>

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 8. Tangible fixed assets

	Leasehold property £'000	Re-usable crates £'000	Motor vehicles £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Totals £'000
<b>Cost</b>						
At 1 January 2017	-	1,275.4	150.9	179.6	35.2	1,641.1
Additions	515.7	515.1	136.3	70.8	-	1,237.9
At 1 January 2018	515.7	1,790.5	287.2	250.4	35.2	2,879.0
Additions	224.6	813.2	105.7	333.8	-	1,477.3
At 31 December 2018	740.3	2,603.7	392.9	584.2	35.2	4,356.3
<b>Depreciation</b>						
At 1 January 2017	-	308.8	68.1	67.1	34.0	478.0
Charge for the year	8.6	292.0	50.1	53.5	1.2	405.4
At 1 January 2018	8.6	600.8	118.2	120.6	35.2	883.4
Charge for the year	136.8	429.3	63.8	108.7	-	738.6
At 31 December 2018	145.4	1,030.1	182.0	229.3	35.2	1,622.0
<b>Net book value</b>						
At 31 December 2018	594.9	1,573.6	210.9	354.9	-	2,734.3
At 31 December 2017	507.1	1,189.7	169.0	129.8	-	1,995.6

### 9. Inventories

	2018 £'000	2017 £'000
Raw materials	5,769.5	4,134.0
Finished goods	19,307.9	9,101.7
	<u>25,077.4</u>	<u>13,235.7</u>

The cost of inventories recognised as an expense and included in the cost of sales amounted to £108,741.448 (2017: £68,366,468). The amount charged to the statement of profit or loss and other comprehensive income in respect of impairment and write off of inventories was £0.7m (2017: £0.6m).

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 10. Trade and other receivables

	<b>2018</b>	<b>2017</b>
	£'000	£'000
Trade receivables	20.9	46,185.6
Other receivables	186.3	6,314.3
Prepayments	4,080.8	2,919.4
Recoverable indirect tax	7,451.8	167.7
Intercompany receivables	51,965.6	1,516.2
Total trade and other receivables	63,705.4	57,103.2

All amounts shown under debtors fall due for payment within one year.

Trade receivables are stated after the expected credit loss provision of nil (2017: £1,075,342). This is due to the corporate reorganisation which has happened during the year whereby four new sales companies were incorporated; the Company now exists primarily to manufacture the product and sell it to other group companies, while the other group companies sell the product to third parties. This means that the vast majority of trade receivables are now intercompany. The probability of impairment of intercompany receivables has been assessed to be negligible or nil, hence the expected loss provision is also nil.

There is no material difference between the net book amount and the fair value of current trade and other receivables due to their short-term nature.

### 11. Derivative financial instruments

	<b>2018</b>	<b>2017</b>
	£'000	£'000
Foreign currency exchange contracts	(309.0)	230.2
Total derivative financial instruments	(309.0)	230.2

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. All contracts mature in less than 12 months; therefore, the instruments are classified as current. The fair value of foreign exchange derivatives is based on bank valuations.

The movement in fair value on forward contracts of £539,160 (2017: profit of £1,210,840) has been included within the unrealised profits stated in note 5 along with the foreign exchange movements in debtors and cash balances.



# Fevertree Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 12. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade payables	10,577.9	7,577.5
Intercompany payables	2.2	10,541.7
Accruals	12,086.0	13,313.4
Taxation	2,912.7	5,695.1
Other payables	-	2,448.0
Social security & other taxes	445.7	2,797.0
Total trade and other payables	26,024.5	42,372.7

## 13. Provisions for liabilities

### Deferred tax

	2018	2017
	£'000	£'000
Opening balance	140.3	121.3
Recognised in income statement	(83.8)	19.0
Closing balance	56.5	140.3

### Accelerated capital allowances & other

	£'000
At 1 January 2017	121.3
Comprehensive income debit	19.0
At 31 December 2017	140.3
Comprehensive income credit	(83.8)
At 31 December 2018	56.5

## 14. Share capital

	2018	2018
	Number	£'000
<b>Ordinary shares of £0.0001 each</b>		
At 1 January 2018	1,038,858,968	103.9
Issued during the year	-	-
At 31 December 2018	1,038,858,968	103.9

The ordinary shares have rights to vote and to participate in any dividends payable and rights to any payments on an exit event or on a return of capital as detailed in the Articles of Association.

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 15. Reserves

Share premium is the amount subscribed for share capital in excess of nominal value.

Retained earnings are the cumulative net profits in the statement of comprehensive income. Movements on these reserves are set out in the statement of changes in equity.

### 16. Dividends

The Company paid dividends of £20,000,000 (2017: £20,000,000) during the year.

### 17. Commitments under operating leases

The Company leases its office premises and a few motor vehicles. The total value of minimum lease payments due until the end of the lease is payable as follows:

	2018 £'000	2017 £'000
Land and buildings		
Not later than one year	368.0	408.2
Later than one year and not later than five years	1,184.1	1,204.5
	1,552.1	1,612.7
Other leases		
Not later than one year	28.5	5.5
Later than one year and not later than five years	33.8	-
	62.3	5.5
	1,614.4	1,618.2

### 18. Investments in subsidiaries

	£'000
Cost	
At 1 January 2018	0.1
Additions	-
Disposals	(0.1)
At 31 December 2018	-

During the year, the Company disposed of its subsidiary undertaking Fevertree USA Inc. to another Group company – Fevertree USA Holding Co. Inc. – as part of the corporate reorganisation which entailed the incorporation of four new UK trading subsidiaries to reflect the main geographical regions in which the Group operates. These four companies became subsidiaries of the Company, as outlined below. The investment in each of these subsidiaries has a value of £1, hence the total value of the Company's investments in subsidiaries is £4.

# Fevertree Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 18. Investments in subsidiaries (continued)

#### *Subsidiary undertakings*

The undertakings in which the Company has interests at the year end are as follows:

Name	Country of incorporation	Registered address	Proportion of voting rights and ordinary share capital held	Nature of business
Fevertree UK Limited	UK	Kildare House, 3 Dorset Rise, London, EC4Y 8EN	100%	Sale of premium mixer drinks
Fevertree US Limited	UK	Kildare House, 3 Dorset Rise, London, EC4Y 8EN	100%	Sale of premium mixer drinks
Fevertree Europe Limited	UK	Kildare House, 3 Dorset Rise, London, EC4Y 8EN	100%	Sale of premium mixer drinks
Fevertree ROW Limited	UK	Kildare House, 3 Dorset Rise, London, EC4Y 8EN	100%	Sale of premium mixer drinks
Fevertree USA Holding Co. Inc.	USA	251 Little Falls Drive, Wilimington, Delaware, 19808	100%*	The activities of a holding company
Fevertree USA Inc.	USA	251 Little Falls Drive, Wilimington, Delaware, 19808	100%*	Sale of premium mixer drinks

\* Indirect holding

### 19. Other financial assets

Other financial assets consist of an intercompany loan to Fevertree USA Inc. The facility is for \$10m and as at 31 December 2018, an amount of \$4,102.8k was drawn down. The interest rate is 3% and the repayment date is 31 December 2021.

### 20. Events after the reporting period

There were no events after the reporting period to disclose.

### 21. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 101 not to disclose transactions with group entities.

There were no other related party transactions which occurred during the year.

### 22. Ultimate parent company

The immediate and ultimate parent undertaking is Fevertree Drinks plc. In the opinion of the directors there is no one ultimate controlling party of the Company. The smallest and largest group in which the results of the Company are consolidated is that headed by Fevertree Drinks plc, incorporated in the United Kingdom. Copies of the Fevertree Drinks plc consolidated financial statements can be obtained from the Company Secretary at Kildare House, 3 Dorset Rise, London, EC4Y 8EN.