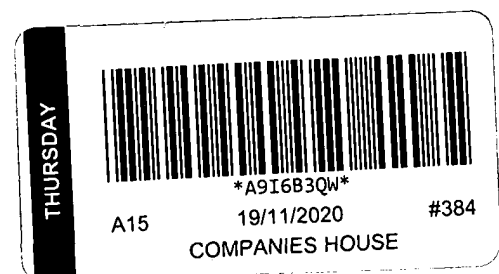


Company Registration No. 00574704

Croydon Logistics Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



Croydon Logistics Limited

Annual Report and Financial Statements For the year ended 31 December 2019

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Croydon Logistics Limited

Annual Report and Financial Statements For the year ended 31 December 2019

Officers and professional advisers

Directors

G Wertheimer
O Nicolay
M Hamilton
S Wright
A Fasanotti
A Lilley
P Dekkers
P Gaff

Company Secretary

P Gaff

Registered Office

5 Queensway
Croydon
CR9 4DL

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Croydon Logistics Limited

Strategic report

Introduction and strategy

The directors, when preparing this report, have complied with s414c of the Companies Act 2006. The Company's principal activity is the provision of warehousing, distribution and administration services to sister companies. The Company seeks to maximise the efficiency of services performed.

The Company provides warehousing, distribution and administration services to Chanel Limited and other sister companies. There is expected to be no change to these services for the 12 month from the signing of the financial statements.

The directors are satisfied with the results of the operation. Chanel Limited has committed to continue using the Company as its sole provider of warehousing, distribution and administration services for the foreseeable future. As such the Company has adopted the going concern basis for its financial statements, see note 2 for further information.

Business review and future developments

The directors consider the Company's trading result and financial position to be satisfactory.

The Board monitors the Company's performance in a number of ways, including key performance indicators. The key financial performance indicators together with the information for 2019 and 2018 are as follows:

	2019 £'000	2018 £'000
Turnover	23,402	20,297
Gross Margin %	12.4%	16.0%
Pre-tax Profit	1,664	1,389
Cash	61	48

The turnover indicator represents what has been invoiced to customers (excluding VAT) in the year and measures sales growth in value terms. Turnover has increased in line with the activities of the parent company, Chanel Limited, for which Croydon Logistics provides the services.

The gross margin is calculated by dividing gross profit by revenue and measures the total profitability of product sales. The margin % has fallen slightly due to one off global projects.

Pre-tax profit is the profit generated by the Company from operations before taxation. This indicator measures the overall profitability of the business.

Cash is the year end balance sheet position as reported in the Company balance sheet. It gives an indication of the ability of the Company to generate cash.

Covid-19 has impacted the Company's activities post year end. The full financial impact of this health crisis for 2020 and beyond is impossible to predict with a high degree of certainty, but the Company will actively take measures to preserve the Company's cash flows and balance sheet.

Principal risks and uncertainties

The directors consider that the major risk and uncertainty to the Company is the continued growth of the parent Company and its UK sister companies. This risk is discussed in the financial statements of the Parent Company, Chanel Limited.

Brexit

The uncertainty around the terms in which the United Kingdom will leave the European Union remains unclear but could potentially impact the trade regulations that govern the import and export of products to consumers in and out of the United Kingdom. Changes to the trade agreements could result in increased customs duties along with potential delays in the supply chain in importing products from the United Kingdom. Whilst the outcome of Brexit remains unclear, the Company is cautious but confident that the overall impact will not be significant.

Croydon Logistics Limited

Strategic report

COVID-19

Following a strong start to 2020, the COVID-19 pandemic has had a significant impact on our business, resulting in the temporary closure of non-essential stores in the UK. Whilst we navigate through these unprecedented times, Croydon Logistics's top priority remain the health and wellbeing of its employees and customers, in addition to supporting our business partners and suppliers.

The full financial impact of this health crisis for 2020 and beyond is impossible to predict with a high degree of certainty, but the Company will actively take measures to preserve the Company's cash flows and balance sheet. At the date of this report, non-essential stores are reopening in accordance with local government guidelines.

Approved by the Board of Directors
and signed on behalf of the Board



P Gaff
Company Secretary

17th November 2020

Croydon Logistics Limited

Directors' report

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

Future developments have been considered in the Strategic Report.

Dividends and results

The directors do not recommend the payment of a dividend (2018: £nil).

The results of the Company are stated on page 9.

Directors and their interests

The directors who held office at any time during the financial year and up to the date of signing these accounts, unless otherwise disclosed, and thereafter were as follows:

G Wertheimer
O Nicolay
M Hamilton
S Wright
A Fasanotti
A Lilley
P Dekkers
P Gaff

Director's indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Employees

Equal opportunities

The Company does not discriminate on grounds of age, colour, disablement, marital status, race, religion or sex. People are given the opportunity to develop and progress according to their ability.

Disabled employees

It is the policy of the Company to give disabled people full and fair consideration for all job vacancies for which they offer themselves, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and if necessary, the Company endeavours to re-train any member of staff who develop a disability during employment with us.

Employee involvement

The Company maintains a close relationship with its employees by a conscious policy of informing them of relevant events and the state of the business through discussions, meetings, notices and by consulting employees.

Financial risk management objectives and policies

The directors consider that the only financial risks relevant to the Company are credit risk and liquidity risk. The Company does not use derivative instruments.

Credit risk

The Company's principal asset subject to credit risk is intercompany debtors. The Company considers that its principal intercompany debtor, Chanel Limited, has an excellent financial rating and that there is minimal risk of default.

Croydon Logistics Limited

Directors' report

Financial risk management objectives and policies (continued)

Liquidity risk

Sufficient funds for ongoing operations and future developments are ensured through a mixture of short- and long-term intercompany funding. The Company is able to access additional sources of intercompany funding should it require it.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Disclosure of information to the auditor

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 s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Paul Gaff

P Gaff
Company Secretary

17th November 2020

Croydon Logistics Limited

Directors' responsibilities statement

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent; 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.

Croydon Logistics Limited

Independent auditor's report to the members of Croydon Logistics Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Croydon Logistics Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 which comprise:

- the profit and loss account;
- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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).

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 Financial Reporting Council's (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 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.

Other information

The directors are responsible for the 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.

Croydon Logistics Limited**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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

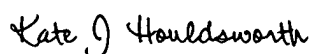
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Kate J Houldsworth FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
17th November 2020

Croydon Logistics Limited

Profit and loss account For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	23,402	20,297
Cost of sales		(20,509)	(17,041)
Gross profit		2,893	3,256
Administrative expenses		(1,366)	(2,032)
Operating profit	5	1,527	1,224
Interest receivable and similar income	7	151	182
Interest payable and similar charges	8	(14)	(17)
Profit before taxation		1,664	1,389
Tax on profit	9	(136)	(529)
Profit for the financial year		1,528	860

All results are from continuing operations.

Statement of other comprehensive income and expense For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		1,528	860
Items that will not be reclassified subsequently to the profit and loss:			
Actuarial loss/(gain) relating to the pension schemes	16	3,602	(2,748)
UK deferred tax attributable to actuarial (loss)/gain relating to pension schemes	14	(612)	467
		2,990	(2,281)
Total comprehensive loss/(income) for the year attributable to the owners of the Company		4,518	(1,421)

Croydon Logistics Limited

Balance sheet

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	10	4,959	4,922
Right of use assets	11	408	-
		<u>5,367</u>	<u>4,922</u>
Net pension asset	16	3,735	228
Current assets			
Debtors	12	11,744	9,215
Cash at bank and in hand		61	48
		<u>11,805</u>	<u>9,263</u>
Creditors: amounts falling due within one year	13	<u>(4,026)</u>	<u>(2,439)</u>
Lease liability			
Long term	11	(163)	-
Short term	11	(226)	-
		<u>(389)</u>	<u>-</u>
Net current assets		<u>7,390</u>	<u>6,824</u>
Total assets less current liabilities		<u>12,757</u>	<u>11,746</u>
Net assets		<u>16,492</u>	<u>11,974</u>
Capital and reserves			
Called up share capital	15	9	9
Profit and loss account		16,483	11,965
Shareholder's funds		<u>16,492</u>	<u>11,974</u>

These financial statements of Croydon Logistics Limited (registered number 00574704) on pages 9 to 28 were approved by the Board of Directors and authorised for issue on 17th November 2020.

Signed on behalf of the Board of Directors



A Fasanotti
Director

Croydon Logistics Limited

Statement of changes in equity For the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018	9	13,386	13,395
Profit for the year	-	860	860
Other comprehensive income for the year	-	(2,281)	(2,281)
Balance as at 31 December 2018	9	11,965	11,974
Profit for the year	-	1,528	1,528
Other comprehensive loss for the year	-	2,990	2,990
Balance as at 31 December 2019	9	16,483	16,492

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

1. General information

Croydon Logistics Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently through the year and the preceding year.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases.

Where relevant, equivalent disclosures have been given in the group financial statements of Chanel Limited. The group financial statements of Chanel Limited are available to the public and can be obtained as set out in note 18.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Recently issued accounting standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. IFRS 16 – Leases was adopted and the impact is discussed below.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

IFRS 16 Leases

IFRS 16 Leases ("IFRS 16") is effective as of 1 January 2019 and replaces the requirements of IAS 17 Leases. IFRS 16 introduces a single lease model for leases and eliminates the classification of leases as either operating leases or finance leases. The Company applied IFRS 16 as of 1 January 2019 using the modified retrospective approach and, therefore, no adjustments have been made to opening equity balances and comparative information has not been restated and continue to be reported under IAS 17.

The Company used the following practical expedients in its transition to IFRS 16:

- Applied IFRS 16 only to contracts that were previously identified as leases under IAS 17. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019;
- Adjusted right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months remaining in its lease term as of 1 January 2019;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases that were already classified as finance leases under IAS 17 were not impacted by the transition to IFRS 16. The carrying amount of the asset recognised for such leases has been reclassified to the right-of-use asset category under IFRS 16.

Impact of Adoption of IFRS 16

Balance Sheet

On transition to IFRS 16 as of 1 January 2019, the Company recognised an additional £409,000 of right-of-use assets and lease liabilities of £240,000.

Reconciliation between the Company's operating lease commitments and lease liability

The following table reconciles the Company's operating lease commitments as a lessee at 31 December 2018 to the lease liability recognised on initial application of IFRS 16 at 1 January 2019:

	£'000
Operating lease commitments disclosed at 31 December 2018	83
Finance lease liabilities recognised at 31 December 2018	186
Other reconciling items	(29)
Lease liability as at 1 January 2019	240

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the uncertainty around the impact on the Company resulting from the Covid-19 pandemic. In their assessment, the directors have considered: the financial and cash position of the Company; the extent of operational disruptions; and the forecast cash requirements and cash generation of the Company for the foreseeable future and at least twelve months from the date of these financial statements.

Furthermore, the Company has continuing arrangements for the provision of its services in place with its parent company and one other related party. As both the parent company and one other related party are profit making, have net current assets and net assets, the directors believe that the Company is well placed to maintain its position.

The Group operates a global cash pooling arrangement whereby positive bank account balances are offset against the overdraft of participating subsidiaries and entities under common control.

Despite having a strong cash position at the end of 2019 of \$2,850.8 million, due to the extreme uncertainty surrounding the impact of Covid-19 and to further strengthen the liquidity position, the directors of the Group took action in March and April of 2020 to secure additional borrowings in the form of commercial paper and revolving credit facilities for a total of \$1,874.7 million. These borrowings will also serve to support the Group's working capital requirements including the subsidiaries such as Croydon Logistics if needed.

The directors therefore continue to adopt the going concern basis for the preparation of the Annual Report and Financial Statements.

Revenue recognition

Revenue represents the value of services provided in respect of the financial year (excluding Value Added Tax) and is recognised as the service is rendered on a cost plus basis.

Revenue is valued at the fair value of the consideration received, excluding taxes, net of discounts and after elimination of intercompany sales.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at historical cost less accumulated depreciation.

The Company's policy with regard to expenditure on integral repairs and improvements to freehold property is to capitalise these items on completion. Land is not depreciated because in the opinion of the directors the book value is equal to or below its market value.

Assets in the course of construction for supply or administrative purposes are carried at cost. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation on other assets is provided on cost in equal annual instalments over the estimated useful lives of the assets.

The rates of depreciation are as follows:

Freehold property	4% per annum
Machinery, furniture and equipment	Between 10% and 20% per annum

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, annually with the effects of any change in estimate being accounted for on a prospective basis.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

Impairment of tangible fixed assets

Tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired. Impairment tests seek to determine whether the recoverable amount of an asset, a cash-generating unit ("CGU") or a group of CGUs is less than its net carrying amount. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. When the carrying amount of such assets is greater than the higher of their value in use or fair value less cost to sell, the resulting impairment loss is recognised in the profit or loss.

Impairment losses recognised in relation to property, plant, and equipment may be reversed at a later date up to the amount of the losses initially recognised, when the recoverable amount becomes greater than the net carrying amount.

Taxation

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The measurement of deferred tax amounts depends on the way in which the Company intends to recover or settle the carrying amount of assets and liabilities and is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are not discounted and are classified in the statements of financial position under non-current assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and the carry-forward of unused tax losses, and of unused tax credits, can be utilised. The Company reviews its deferred tax balances at each balance sheet date to take into account factors such as the impact of changes in tax laws and the prospects of recovering deferred tax assets from deductible temporary differences and from the carry-forward of unused tax losses and of unused tax credits.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

Financial instruments

The Company classifies its financial assets in the following categories:

- fair value through profit or loss; and
- loans and receivables.

The classification of a financial asset determines its accounting treatment and depends on the nature and purpose for which the financial asset was acquired. Purchases and sales of financial assets are recognised on the trade date, which is the date the Company is committed to the purchase or sale of the asset. A financial asset is derecognised if the contractual rights to the cash flows from the financial asset expire or the asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

Fair value through profit or loss

Financial assets classified as fair value through the profit or loss are financial assets that are either held for trading or specifically designated in this category. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented within finance costs, net in the period in which they arise.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that have maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

Debtors

Debtors are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The movement of the provision is recognised in administrative expenses.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and demand deposits as well as other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of change in value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Such financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, such as loans and receivables or held-to-maturity investments, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The Company directly reduces the carrying amount of a financial asset by the amount of any impairment loss with an offsetting charge to the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Company recognises all financial liabilities initially at fair value and subsequently at amortised cost, using the effective interest method. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Pension costs

The Company operates a defined benefit pension scheme and a defined contribution pension scheme. The assets of the defined benefit scheme are held separately from those of the Company in independently administered funds.

The full service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service is charged to the profit and loss account. A charge equal to the expected increase in the present value of the scheme liabilities because the benefits are closer to settlement and a credit equivalent to the Company's long-term expected return on assets based on the market value of the schemes' assets at the start of the period, are included in the profit and loss account with 'interest receivable and similar income'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as a liability on the balance sheet, net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the Statement of other comprehensive income along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in note 16.

The defined benefit pension scheme was closed to new entrants with effect from 28 January 2003 since which date a defined contribution scheme has operated.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefit is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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Notes to the financial statements For the year ended 31 December 2019

2. Significant accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable and liabilities paid and payable as incentives or premiums to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Company's accounting policies

The preparation of the financial statements requires the directors to exercise their judgment, apart from those involving estimations (which are dealt with separately), in the process of applying the company's accounting policies. There are no judgments which have a significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

The following are key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- assumptions underlying the calculation of obligations relating to employee benefits.

The main assumptions made by the Company related to the estimates and judgments listed above are detailed in the respective notes to the financial statements.

4. Revenue

An analysis of the Company's turnover is as follows:

	2019 £'000s	2018 £'000s
Services rendered (turnover)	23,402	20,297
Interest receivable and similar income (note 7)	151	182
Total revenue	<u>23,553</u>	<u>20,479</u>

All turnover is derived from one class of business within the United Kingdom.

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Notes to the financial statements For the year ended 31 December 2019

5. Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	888	804
Loss on disposal of property, plant and equipment	3	37
Rentals under operating leases: other	-	46
	<u>891</u>	<u>887</u>
	2019 £'000	2018 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	30	26
Fees payable to the Company's auditor and its associates for other services:		
Tax compliance services	8	8
Tax advisory services	12	3
	<u>50</u>	<u>37</u>

6. Information regarding directors and employees

	2019 £'000	2018 £'000
Directors' emoluments		
Emoluments	1,125	1,057
Pension costs	52	80
Remuneration of the highest paid director	378	362
Highest paid director's pension costs	11	12

G Wertheimer, O Nicolay and S Wright are remunerated through Chanel Ltd. None of these three directors of the Company received remuneration in respect of their services to the Company.

	2019 No.	2018 No.
The number of directors accruing benefits under:		
Defined benefit pension schemes	1	2
Defined contribution pension schemes	3	2
	<u>4</u>	<u>4</u>
Average monthly number of persons employed (including directors)		
Production and distribution	76	70
Administration	100	90
	<u>176</u>	<u>160</u>

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

6. Information regarding directors and employees (continued)

	2019 £'000s	2018 £'000s
Staff costs during the year (including directors)		
Wages and salaries	8,414	7,374
Social security costs	1,154	996
Other pension costs	1,253	1,518
Compensation for loss of office	36	68
	<u>10,857</u>	<u>9,956</u>

7. Interest receivable and similar income

	2019 £'000s	2018 £'000s
Interest from loans to fellow subsidiaries	137	91
Bank interest receivable	-	2
Net interest on the net defined benefit liability	14	89
	<u>151</u>	<u>182</u>

8. Interest payable and similar charges

	2019 £'000s	2018 £'000s
Interest Expense on lease liability	9	-
Realised foreign currency transaction loss, net	5	17
	<u>14</u>	<u>17</u>

9. Tax on profit

	2019 £'000s	2018 £'000s
Current taxation		
United Kingdom corporation tax	473	580
Adjustments in respect of prior years	(184)	6
	<u>289</u>	<u>586</u>
Deferred taxation		
Timing differences, origination, reversal and changes in deferred tax rates	(499)	(63)
Adjustment in respect of prior years	293	(1)
Effect of changes in tax rate	53	7
	<u>136</u>	<u>529</u>

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

9. Tax on profit (continued)

Reconciliation of tax charge

The UK corporation tax rate for the year was 19% (2018: 19%). The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	1,664	1,389
Tax charge on profit on ordinary activities at 19% (2018: 19%)	316	264
Factors affecting charge:		
Adjustments in respect of prior years	110	200
Expenses not deductible for tax purposes	64	58
Effect of changes in tax rates	52	7
Non qualifying assets	(406)	-
Total tax charge for the year	136	529

In addition to the amount charged to the profit or loss, the following amounts relating to tax have been recognised on other comprehensive income:

	2019 £'000s	2018 £'000s
Deferred tax:		
Items that will not be reclassified subsequently to the profit and loss:		
Actuarial loss relating to pension schemes	612	(467)
Total income tax recognised in other comprehensive income	612	(467)

Factors that may affect the future tax charge

Budget announcements

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). The new law was subsequently enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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Notes to the financial statements For the year ended 31 December 2019

10. Tangible fixed assets

	Freehold Land £'000s	Freehold property £'000s	Machinery, furniture and equipment £'000s	Construction in progress £'000s	Total £'000s
Cost					
At 1 January 2019	525	4,491	4,987	645	10,648
Additions	-	379	551	-	930
Transfer from construction	-	-	117	(117)	-
Disposals	-	(27)	(21)	-	(48)
At 31 December 2019	525	4,843	5,634	528	11,530
Accumulated depreciation					
At 1 January 2019	-	2,331	3,395	-	5,726
Charge for the year	-	202	686	-	888
Disposals	-	(22)	(21)	-	(43)
At 31 December 2019	-	2,511	4,060	-	6,571
Net book value					
At 31 December 2019	525	2,332	1,574	528	4,959
At 31 December 2018	525	2,160	1,592	645	4,922

11. Leases

Right-of-use assets

The Company's leases are composed primarily of buildings for its offices, machinery and office equipment.

	Real Estate £'000s	Machinery, furniture and equipment £'000s	Total £'000s
Gross			
At 1 January 2019	-	240	240
New leases	321	94	415
Remeasurements	-	5	5
Leases terminated	-	(28)	(28)
At 31 December 2019	321	311	632
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation expense	118	132	250
Leases terminated	-	(26)	(26)
At 31 December 2019	118	106	224
Carrying amount			
At 31 December 2019	203	205	408

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Notes to the financial statements For the year ended 31 December 2019

11. Leases (continued)

Lease liabilities

	Current £'000	Non-current £'000	Total £'000
Gross			
At 1 January 2019	114	127	241
New leases	160	255	415
Repayments	(279)	-	(279)
Accrued interest	9	-	9
Remeasurements	5	-	5
Retirements	(2)	-	(2)
Transfers	219	(219)	-
At 31 December 2019	226	163	389

The total cash outflow in 2019 was £278,793.

Maturity analysis of lease liabilities

	2019 £'000
Less than one year	226
One to five years	163
	<u>389</u>

There were no expenses recognised in relation to short term or low value leases.

The aggregate minimum rental commitment under these operating leases as of 31 December 2018 were as follows:

	2018 £'000
Lease payments due:	
Within one year	53
Within two to five years	30
	<u>83</u>

12. Debtors: amounts falling due within one year

	2019 £'000s	2018 £'000s
Trade debtors	5	56
Amounts owed by fellow subsidiaries	10,810	8,322
Amounts owed by related parties	98	-
Deferred tax asset	-	90
Other debtors	64	70
Other tax debtor	435	408
Prepayments and accrued income	332	269
	<u>11,744</u>	<u>9,215</u>

Amounts owed by fellow subsidiaries are secured, interest free and repayable on demand.

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Notes to the financial statements For the year ended 31 December 2019

13. Creditors: amounts falling due within one year

	2019 £'000s	2018 £'000s
Trade creditors	115	191
Amounts owed to fellow subsidiaries	12	4
Corporation tax	114	458
Deferred tax liability (note 14)	369	-
Accruals and deferred income	3,416	1,786
	<u>4,026</u>	<u>2,439</u>

Amounts owed to fellow subsidiaries are secured, interest free and repayable on demand.

14. Deferred tax

	£'000s
At 1 January 2018	(435)
Charge to profit and loss account	(323)
Charge to other comprehensive income	848
	<u>90</u>
At 1 January 2019	(459)
Charge to profit and loss account	-
Charge to other comprehensive income	-
	<u>(369)</u>
At 31 December 2019	<u>(369)</u>

	2019 £'000s	2018 £'000s
Analysed as:		
Capital allowances in excess of depreciation	177	89
Short-term timing differences	89	40
Pension	(635)	(39)
	<u>(369)</u>	<u>90</u>

15. Called up share capital

	2019 £'000	2018 £'000
Authorised, called up, allotted and fully paid:		
9,000 ordinary shares of £1 each	<u>9</u>	<u>9</u>

The Company has one class of ordinary shares which carry no right to fixed income.

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Notes to the financial statements For the year ended 31 December 2019

16. Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The total cost charged to income of £314,006 (2018: £526,852) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £nil (2018: £nil) due in respect of the current year had not been paid over to the schemes.

Defined benefit schemes

The Company operates a final salary defined benefit pension scheme. The assets of the scheme are held in separate trustee administered funds. Only the part of the pension scheme that relates to the employees of Croydon Logistics Limited has been disclosed.

The pension cost relating to the scheme is determined by an independent qualified actuary on the basis of triennial valuations, using the attained age method.

The last full funding valuation was carried out as at 5 April 2018. Following the completion of this valuation, the Company agreed to pay lump sum contributions of £297,500 per annum each December from December 2015 to December 2019.

	Valuation at	
	2019	2018
	%	%
Key assumptions used:		
Discount rate	2.0	2.6
Expected rate of salary increases	3.0	3.8
Future pension increases	2.7	3.1
Inflation	2.8	3.3

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2019	2018
	%	%
Retiring today:		
Males	23.0	23.5
Females	24.1	24.6

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2019	2018
	£'000	£'000
Current service cost	462	824
Interest cost	(14)	(89)
Administrative expenses	18	22
Components of defined benefit costs recognised in profit and loss	<u>466</u>	<u>757</u>

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Notes to the financial statements For the year ended 31 December 2019

16. Retirement benefit schemes (continued)

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(40,009)	(36,715)
Fair value of scheme assets	43,744	36,943
Asset recognised in the balance sheet	<u>3,735</u>	<u>228</u>

Movements in the present value of defined benefit obligations were as follows:

	2019 £'000	2018 £'000
At 1 January	(36,715)	(36,397)
Service cost	(462)	(824)
Interest cost	(1,051)	(934)
Actuarial gains and losses due to changes in demographic assumptions	803	(200)
Actuarial gains and losses due to changes in financial assumptions	(3,581)	2,103
Actuarial gains and losses - experience losses	25	(1,332)
Participant Contributions	(70)	(80)
Benefits paid	1,042	949
At 31 December	<u>(40,009)</u>	<u>(36,715)</u>

Movements in the fair value of scheme assets were as follows:

	2019 £'000	2018 £'000
At 1 January	36,943	39,442
Expected return on scheme assets	1,065	1,023
Actuarial gains and losses	6,355	(3,318)
Admin expenses	(18)	(22)
Contributions from the Company	371	687
Contributions from scheme members	70	80
Benefits paid	(1,042)	(949)
At 31 December	<u>43,744</u>	<u>36,943</u>

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Notes to the financial statements For the year ended 31 December 2019

16. Retirement benefit schemes (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Fair value of assets	
	2019 £'000	2018 £'000
Equity instruments	33,039	25,172
Debt instruments	6,578	7,089
Corporate bonds	1,853	1,704
Property	1,958	1,923
Other	316	1,055
	<u>43,744</u>	<u>36,943</u>
	2019 £'000	2018 £'000
Present value of defined benefit obligations	(40,009)	(36,715)
Fair value of scheme assets	<u>43,744</u>	<u>36,943</u>
Surplus in the scheme	<u>3,735</u>	<u>228</u>
Experience adjustments on scheme liabilities Amount (£000)	25	(1,332)
Percentage of scheme liabilities (%)	<u>(0.1%)</u>	<u>3.6%</u>
Experience adjustments on scheme assets Amount (£000)	6,355	(3,318)
Percentage of scheme assets (%)	<u>14.5%</u>	<u>(9.0%)</u>

The estimated amounts of contributions expected to be paid to the scheme during the next financial year is £363,718 (2018: £417,882).

The average duration of the defined benefit obligation is 18.9 years (2018: 18.7 years). Further breakdown is as follows:

- Active members: 21.9 years (2018: 21.6 years).
- Deferred vested members: 21.8 years (2018: 21.6 years).
- Retired members: 11.5 years (2018: 11.4 years).

The significant assumptions used in determining the defined benefit obligation are the discount rate, expected rate of salary increase, and life expectancy. The sensitivity analysis below has been determined based on possible changes to the significant assumptions while holding all other assumptions constant.

An increase in the discount rate of half a percentage point would decrease the defined benefit obligation by £3.6 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by £10.4 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by £1.2 million.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2019

16. Retirement benefit schemes (continued)

The present value of the defined benefit obligation in the sensitivity analysis above has been calculated using the projected unit credit method, which is also the method used in calculating the defined benefit obligation for the statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

17. Related party transactions

Balances and transactions between the Company and entities under common control

	2019 £'000	2018 £'000
Trade receivables and other current assets	98	-
Revenue	498	-

18. Ultimate parent company

Chanel Limited, a company incorporated in the United Kingdom, produces consolidated financial statements that the directors regard to be the smallest and largest group of which the Company is a member. The registered office of Chanel Limited is 5 Barlow Place, London, W1J 6DG. Chanel Limited's consolidated financial statements are available from Companies House, Crown Way, Cardiff CF143UZ. The directors regard the ultimate parent company and controlling party to be Litor Limited, a company incorporated in the Cayman Islands.

19. Subsequent events

The Company considered the existence of any subsequent events and the requirements to record and/or disclose the impact thereof.

The Covid-19 pandemic has severely impacted the global economy and could adversely impact the Company depending on the duration of business disruption and the reduced ability to commercialise our products.

The Company has always maintained a healthy balance sheet with strong cashflows.

These events are non-adjusting subsequent events and, therefore, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. Other impacts from Covid-19 to business in 2020 have been disclosed in Note 2.

No other significant subsequent events were noted by the Company up to the date of signing these accounts.