Registration number: 3781128

XPO Supply Chain Services UK Limited

Annual reports and Financial Statements

for the Year Ended 31 December 2019

XPO Supply Chain Services UK Limited

Contents

XPO Supply Chain Services UK Limited

Company Information

Directors	Mr R Cawston Mr G Williams Mr D Thomas
Company secretary	Mr K Kirsis
Registered office	XPO House Lodge Way New Duston Northampton NN5 7SL
Banker	HSBC Bank plc City Corporate Banking Centre 1st Floor 8 Canada Square London E14 5HQ
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG

XPO Supply Chain Services UK Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Fair review of the business
Turnover has increased by £144k in the year from £549k to £693k, due to increased volumes with the existing customer. Operating profit decreased by £120k in the year. This was largely due to an increase in consumable costs of £173k along with staff costs of £54k, offset with the decrease in other expenses and increase in turnover of £144k.

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

	Unit	2019	2018
Revenue	£000	693	549
(Loss)/Profit after tax	£000	(39)	94
Shareholders' funds	£000	(2,077)	(2,038)
Average employee numbers		8	8

Shareholders funds decreased by £39k, due to the loss for the year of £39k .

Information on the future developments is given in the directors report.

Principal risks and uncertainties
The management of the business and the execution of the company strategy are subject to the following risks:

Credit and liquidity risk
The main credit risk lies with trade debtors. We believe that strong contractual relationships together with the blue chip nature of the customer base provide some degree of protection. Credit risk on bank balances is limited as they are held with authorised banks with credit ratings approved by its ultimate parent company, XPO Logistics, Inc.

Competitive risk
The company trades under contracts which are subject to periodic renewal and the renewal of these contracts is based upon performance and financial criteria. Competitive risk is managed by regular customer meetings to review operational and financial performance with the long term aim to secure ongoing customer relations and contract renewals.

Pricing risk
The company manages the price risk exposure on certain of its large commodity purchases by applying, wherever practical, surcharge mechanisms into its customer contract. For other items, customer contracts are subject to annual price review in order to take account of general inflation and specific commodity pricing issues.

Approved by the Board on 28 September 2020 and signed on its behalf by:

....
Mr D Thomas
Director

XPO Supply Chain Services UK Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors' of the company
The directors, who held office during the year, were as follows:

Mr R Cawston

Mr S Evans (resigned 11 September 2019)

Mr G Williams

Mr D Thomas (appointed 15 October 2019)

Principal activity
The principal activity of the company is the provision of general logistic services including warehousing, transportation management, import/export compliance and general project administration services in the supply chain industry.

Dividend
The directors have not recommended a final dividend (2018: £nil).

Future developments
The directors believe the business is operating adequately and do not foresee any significant changes in the coming year.

On January 31, 2020, the United Kingdom withdrew from the European Union and entered into a transition period to, among other matters, negotiate an agreement with the EU governing the future relationship between the EU and the United Kingdom.

The effects of Brexit on our transportation and logistics operations will depend on any agreements the U.K. ultimately reaches to retain access to EU markets either during the transitional period or more permanently. The laws and regulations that will apply to the U.K. domestic economy will depend, in large part, on the content of any agreements the U.K. is able to negotiate with the EU and current laws and regulations may either be replaced or replicated after withdrawal, including those governing manufacturing, labour, environmental, data protection/privacy, competition and other matters either applicable to the transportation and logistics sectors.

As a result, the directors do not know what the future impact of Brexit will be on the company; however they will continue to monitor the situation and will act accordingly in the best interest of the company. As a precautionary measure, the directors have undertaken preparations involving working in partnership with the customers to ensure the implementation of the necessary business continuity plans.

Through the application of specialist working groups, the directors are actively mitigating risks to the organisation in the following areas; Human Resources, Supply Chain, Legal, Finance, Tax and Partnerships. By conducting thorough impact analysis, the directors can reduce threats to the organisation while evaluating the opportunity change presents.

Covid-19 pandemic
The directors are closely monitoring the impact of the COVID-19 pandemic on all aspects of the business, including how it will impact the company's customer, employees and other business partners. The COVID-19 pandemic has created volatility, uncertainty and economic disruption. The directors are however responding dynamically to the rapidly changing situation that the Coronavirus pandemic has created and will continue with the current focused management approach to protect the company and its key stakeholders until the impact of Covid-19 abates. The priorities remain the health and safety of staff, customer service, financial discipline and business continuity.

Going concern

Notwithstanding net liabilities of £2,077k as at 31 December 2019, the directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of a plausible downside scenario for COVID-19. Whilst the situation evolves daily, making scenario planning difficult, the directors have considered the impact of the current COVID-19 environment on the business for the next 12 months and the longer term.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downside scenario for Covid 19, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on XPO CNW, Inc. providing additional financial support during that period. XPO CNW, Inc. has confirmed its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

The directors of the company confirmed that the intermediate parent has sufficient financial resources together with a good number of customers and suppliers across different geographic areas and industries. The directors, having assessed the responses of the directors of the company's intermediate parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the XPO CNW, Inc. to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the intermediate parent company, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company participates in the XPO Logistics Inc. Group's centralised treasury arrangements and so shares banking arrangements with its ultimate parent and fellow subsidiaries. Where the company has receivables from related parties of the XPO Logistics Inc. Group, the directors are confident of the recoverability of the outstanding receivable balances.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

RSM UK Audit LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Approved by the Board on 28 September 2020 and signed on its behalf by:

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Mr D Thomas

Director

XPO Supply Chain Services UK Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent ans detect fraud and other irregularities.

Independent Auditor's Report to the Members of XPO Supply Chain Services UK Limited

Opinion

We have audited the financial statements of XPO Supply Chain Services UK Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the Members of XPO Supply Chain Services UK Limited (continued)

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

RSM UK Audit LLP

....
Christopher Docherty BA (Hons) CA (Senior Stautory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

28 September 2020

XPO Supply Chain Services UK Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	693	549
Consumables used		(220)	(47)
Staff costs	7	(192)	(138)
Depreciation and amortisation expense	12	(134)	-
Other expenses		(97)	(194)
Operating profit	5	50	170
Finance costs	6	(106)	(76)
(Loss)/profit before tax		(56)	94
Income tax receipt	10	17	-
(Loss)/profit for the year		(39)	94

The company has no other comprehensive income other than the results for the year as set out above.

XPO Supply Chain Services UK Limited

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Right of use assets	12	235	-
Current assets			
Debtors	13	469	606
Income tax asset		17	-
Cash at bank and in hand		55	10
		541	616
Creditors: Amounts falling due within one year			
Trade and other payables	14	(237)	(267)
Current portion of long term lease liabilities		(151)	-
Creditors: Amounts falling due within one year		(388)	(267)
Net current assets		153	349
Total assets less current liabilities		388	349
Creditors: Amounts falling due after more than one year			
Loans and borrowings	15	(2,387)	(2,387)
Long term lease liabilities		(78)	-
Creditors: Amounts falling due after more than one year		(2,465)	(2,387)
Net liabilities		(2,077)	(2,038)
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account		(2,177)	(2,138)
Shareholders' deficit		(2,077)	(2,038)

Approved by the Board on 28 September 2020 and signed on its behalf by:

....

Mr D Thomas
Director

Company Registration Number: 3781128

The notes on pages 12 to 27 form an integral part of these financial statements.

XPO Supply Chain Services UK Limited

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

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	100	(2,138)	(2,038)
Loss for the year	-	(39)	(39)
Total comprehensive expense	-	(39)	(39)
At 31 December 2019	100	(2,177)	(2,077)

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	100	(2,232)	(2,132)
Profit for the year	-	94	94
Total comprehensive income	-	94	94
At 31 December 2018	100	(2,138)	(2,038)

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England & Wales.

The principal activity of the company is the provision of general logistic services including warehousing, transportation management, import/export compliance and general project administration services in the supply chain industry.

The address of its registered office is:
XPO House
Lodge Way
New Duston
Northampton
NN5 7SL

These financial statements were authorised for issue by the Board on 28 September 2020.

2 Accounting policies

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material judgement in the next year, are discussed in note 3.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The company has not elected to apply the balance sheet format requirements of paragraphs 54 to 76 of IAS 1 'Presentation of Financial Statements'.

The financial statements are prepared on the historical cost basis except financial instruments which are classified as fair value through the profit or loss.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. No areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements were identified in the preparation of these financial statements.

The company proposed to continue to adopt the reduced disclosure of FRS 101 in the future.

2 Accounting policies (continued)

Summary of disclosure exemptions
In these financial statements, the company is considered to be a qualifying entity to apply FRS 101 and is consolidated within the accounts of its parent undertaking as described in note 20. The company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Preparation of a cash flow statement and related notes;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the XPO Logistics, Inc. Group as they are wholly owned by the ultimate parent;
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets;
- Disclosure of key management personnel compensation;
- Capital management disclosures; and
- Disclosures in respect of standards in issue not yet effective.

The following disclosure exemptions have also been adopted, as equivalent disclosures are provided in the ultimate parent consolidated financial statements.

- Reduced financial instruments disclosures relating to IFRS 7;
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Going concern
Notwithstanding net liabilities of £2,077k as at 31 December 2019, the directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of a plausible downside scenario for COVID-19. Whilst the situation evolves daily, making scenario planning difficult, the directors have considered the impact of the current COVID-19 environment on the business for the next 12 months and the longer term.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downside scenario for Covid 19, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on XPO CNW, Inc. providing additional financial support during that period. XPOCNW, Inc. has confirmed its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

IFRS 16
The Company has applied as from January 1, 2019 the new lease accounting standard. The effects of the initial application of IFRS 16 on the financial statements are presented below (please refer to "Changes resulting from adoption of IFRS 16" section).

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019, including IFRS 16, have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes and duty. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured. In practice this means that revenue is generally recognised when service is rendered.

Finance income and costs policy

Interest income and expenses are reported on an accrual basis using the effective interest method.

Foreign currency transactions and balances

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

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Current and deferred income tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax balances are not discounted.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade Trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the Trade debtors.

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

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings 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 reporting date.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

2 Accounting policies (continued)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.
The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

2 Accounting policies (continued)

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Changes resulting from adoption of IFRS 16

The company transitioned to IFRS 16 using the modified retrospective approach.The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contacts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months.

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

• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
• Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The company recognised lease liabilities in relation to leases that were classified as 'operating leases' under the principles of IAS 17 - Leases. On transition, an additional £369k of right-to-use assets and £375k of lease liabilities were recognised with no difference allocated to retained earnings.

	Note	As originally reported 31 December 2018 £ 000
Operating lease commitments at 31 December 2018		431
Operating lease commitments discounted at the incremental borrowing rate		414
Prepaid rent		(36)
Other		(3)
Lease liabilities recognised at 1 January 2019		375

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 3.95%.

2 Accounting policies (continued)

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVPTL:-
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

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

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

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

2 Accounting policies (continued)

Derecognition

Financial assets

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

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

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

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

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

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

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

Modification of financial assets and financial liabilities

Financial assets

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

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

2 Accounting policies (continued)

Financial liabilities

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

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

Impairment of financial assets

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

3 Critical accounting judgements and key sources of estimation uncertainty

No significant judgements, estimates or assumptions about the recognition and measurement of assets, liabilities, income and expenses have been made by management when preparing these financial statements.

4 Turnover

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

	2019 £ 000	2018 £ 000
Rendering of services in the United Kingdom	693	549

5 Operating loss

Arrived at after charging

	2019 £ 000	2018 £ 000
Foreign exchange losses/(gains)	2	(3)
Lease expense - property	-	105
Lease expense - plant and machinery	39	14
Depreciation on right of use assets - Property	134	-

Operating lease expense, as disclosed above, includes short term leases that have commenced and terminated in the year.

6 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest payable to related parties	93	76
Interest on obligations under finance leases and hire purchase contracts	13	-
	106	76

7 Staff costs

The aggregate payroll costs were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	274	68
Social security costs	33	55
Pension costs, defined contribution scheme	8	15
Redundancy costs	43	-
Recharged to related parties	(166)	-
	192	138

The redundancy costs incurred in 2019, as disclosed above, are a result of the restructuring exercise implemented by management during the year.

The average number of persons employed by the company during the year, analysed by category was as follows:

	2019 No.	2018 No.
Direct labour	8	8

8 Directors' remuneration

The services of the directors are deemed to be incidental to their roles as directors of other XPO Logistics Group entities and therefore no emoluments are disclosed for these directors, as they were not paid by the company.

9 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	10	9

10 Income tax

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	(17)	-
Income tax receipt	(17)	-

The tax on (loss)/ profit for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
(Loss)/profit before tax	(56)	94
Corporation tax at standard rate	(11)	18
Increase from effect of expenses not deductible in determining taxable (loss)/profit	(6)	-
Tax decrease from utilisation of tax losses	-	(18)
Total tax credit	(17)	-

11 Tangible assets

	Furniture, fittings and equipment £ 000	Plant and equipment £ 000	Total £ 000
Cost			
At 1 January 2019	73	75	148
At 31 December 2019	73	75	148
Depreciation			
At 1 January 2019	73	75	148
At 31 December 2019	73	75	148
Carrying amount			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

12. Right of use assets

	Property £ 000	Total £ 000
Cost or valuation		
Value recognised at 1 January 2019	369	369
At 31 December 2019	369	369
Depreciation		
Charge for the year	134	134
At 31 December 2019	134	134
Carrying amount		
At 31 December 2019	235	235

For further details on implementation of IFRS 16 please refer to the accounting policies section.

13 Debtors

	2019 £ 000	2018 £ 000
Trade debtors	91	96
Receivables from related parties	279	316
Accrued income	62	130
Prepayments	37	58
Other debtors	-	6
Total current trade and other debtors	469	606

Trade debtors above include amounts that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

14 Trade and other payables

	2019 £ 000	2018 £ 000
Trade creditors	9	7
Accrued expenses	13	72
Amounts due to related parties	172	172
Social security and other taxes	31	12
Other creditors	12	4
	237	267

15 Loans and borrowings

	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Other borrowings	2,387	2,387

Other borrowings relate to a loan outstanding with XPO Logistics Worldwide, Inc., a related group undertaking, of £2,387k (2018: £2,387k). The loan is strictly repayable annually, unless the creditor party, XPO Logistics Worldwide, Inc. agrees to a request for deferral from the company, of such payment until the next regularly scheduled annual repayment. At the year end, the company has requested such deferral so that the loan is payable over more than one year. Interest is payable on the loan at a rate on par with the US Prime lending rate based on current spot and one year forward exchange rates as published by Citibank.

16 Obligations under leases - presentation under IAS 17

Operating leases

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

	2019 £ 000	2018 £ 000
Within one year	-	158
In two to five years	-	273
	-	431

17 Leases

Leases included in creditors

	31 December 2019 £ 000	31 December 2018 £ 000
Current portion of long term lease liabilities	151	-
Long term lease liabilities	78	-

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2019 £ 000	31 December 2018 £ 000
Less than one year	158	-
2 years	78	-
Total lease liabilities (undiscounted)	236	-

Total cash outflows related to leases

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

Payment	31 December 2019 £ 000	31 December 2018 £ 000
Interest	13	-
Short term leases	39	-
Total cash outflow	52	-

18 Share capital

Allotted, called up and fully paid shares

	No. 000	2019 £ 000	No. 000	2018 £ 000
Ordinary Shares of £1 each	100	100	100	100

19 Contingent liabilities

The company is included in a UK group registration for VAT purposes and is therefore jointly and severally liable for all other UK based group companies' unpaid tax liabilities in that respect.

20 Parent and ultimate parent undertaking

The company is controlled by its immediate parent company, XPO Logistics Worldwide International Holdings Limited, a company incorporated in Bermuda.

The company's ultimate parent is XPO Logistics, Inc.

20 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is XPO Logistics, Inc., incorporated in the USA.

The address of XPO Logistics, Inc. is:
5 American Lane, Greenwich, Connecticut, 06831 - USA.

A copy of these accounts can be obtained from the XPO Logistics website: www.xpo.com.