

Company Registration No. 00574704

Croydon Logistics Limited

Report and Financial Statements

31 December 2012

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Croydon Logistics Limited

Report and financial statements 2012

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Croydon Logistics Limited

Report and financial statements 2012

Officers and professional advisers

Directors

O Nicolay
K A Matthews
M Hamilton
S A Wright
D Moloney
A Lilley

Secretary

P Gaff

Registered Office

Bourjois House
Queensway
Croydon
Surrey CR9 4DL

Bankers

HSBC Bank plc
Central Croydon
9 Wellesley Road
Croydon
Surrey CRO 2AG

Solicitors

R A Newman & Co

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Croydon Logistics Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Business review and principal activities

The company's principal activity is the provision of warehousing, distribution and administration services

As shown in the profit and loss account on page 5 the company's sales have increased by 7.9% over the prior year

Croydon Logistics Limited provides these services to group companies and for this reason the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business

The directors are satisfied with the results of the operation and anticipate further growth in 2013. The financial statements are prepared on a going concern basis, as explained in note 1

Principal risks and uncertainties

The directors consider that the major risk and uncertainty to the company is the continued growth of the parent company. This risk is discussed in the financial statements of that company

Results and dividends

The results of the company are stated on page 5

The directors do not recommend the payment of a dividend (2011: £nil)

Directors and their interests

The directors who held office throughout the year, unless otherwise disclosed, and thereafter were as follows

O Nicolay
K A Matthews
M Hamilton
S A Wright
D Moloney
A Lilley

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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 ought to have taken as a director in order to make himself 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

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


P Gaff
Secretary

5 June 2013

Croydon Logistics Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Croydon Logistics Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. 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).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Sarah Shillingford

Sarah Shillingford FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

5th June 2013

Croydon Logistics Limited

Profit and loss account Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	1, 2	10,985	10,180
Cost of sales		(9,412)	(8,865)
Gross profit		1,573	1,315
Administrative expenses		(246)	(310)
Operating profit	4	1,327	1,005
Interest receivable and similar income	5	319	310
Interest payable and similar charges		(64)	(35)
Profit on ordinary activities before tax		1,582	1,280
Tax on profit on ordinary activities	6	(535)	(464)
Profit on ordinary activities after taxation	12	1,047	816

All results are from continuing operations

Statement of total recognised gains and losses Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		1,047	816
Actuarial loss on pension liability	14	(1,770)	(1,760)
Deferred tax on actuarial loss on pension liability	14	434	475
Total recognised loss relating to the year		(289)	(469)

Croydon Logistics Limited

Balance sheet 31 December 2012

	Notes	2012 £'000	2011 £'000
Tangible fixed assets	7	2,178	2,020
Current assets			
Debtors	8	13,123	10,631
Cash		27	24
		<u>13,150</u>	<u>10,655</u>
Creditors: amounts falling due within one year	9	<u>(7,338)</u>	<u>(5,517)</u>
Net current assets		<u>5,812</u>	<u>5,138</u>
Total assets less current liabilities		<u>7,990</u>	<u>7,158</u>
Pension liability	14	<u>(3,295)</u>	<u>(2,174)</u>
Net assets		<u>4,695</u>	<u>4,984</u>
Capital and reserves			
Called up share capital	11	9	9
Profit and loss account	12	<u>4,686</u>	<u>4,975</u>
Shareholder's funds	13	<u>4,695</u>	<u>4,984</u>

These financial statements of Croydon Logistics Limited (registered number 00574704) were approved by the Board of Directors on 5 June 2013

Signed on behalf of the Board of Directors



S A Wright
Director

Croydon Logistics Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been consistently applied throughout the current and prior year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The company made a profit before tax of £1.6 million in 2012 and has net assets of £4.7 million. Furthermore, the company has continuing arrangements for the provision of its services in place with its parent company and two other related parties. As both the parent company and two other related parties are profit making, have net current assets and net assets, the Directors believe that the company is well placed to maintain its position. The Directors therefore continue to adopt the going concern basis for the preparation of the Annual Report and Financial Statements.

Taxation

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.

In accordance with FRS 19 "Deferred Tax", deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents the value of goods and services provided in respect of the financial year (excluding Value Added Tax) and is recognised as the service is rendered.

Tangible fixed assets

The company's policy with regard to expenditure on alteration and replacement of integral parts of the freehold property is to write off such expenditure in the year in which it is incurred.

The costs of constructing the warehouse have been capitalised and are being amortised over the estimated useful life of the warehouse of 25 years.

Tangible fixed assets are stated at cost net of depreciation and provision for any impairment.

Depreciation is provided in respect of other tangible fixed assets 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
Leasehold improvements	10% per annum
Plant, machinery and equipment	Between 10% and 20% per annum
Furniture, fixtures and fittings	10% per annum
Motor vehicles	25% per annum

Croydon Logistics Limited

Notes to the financial statements Year ended 31 December 2012

1 Accounting policies (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date 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.

Pension costs

The company participates in the Chanel Limited Pension Plan which is a defined benefit multi-employer pension scheme. The assets of the scheme are held in a separate trustee administered fund.

In accordance with FRS 17, 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 Group's long-term expected return on assets based on the market value of the scheme assets at the start of the period, are included in the profit and loss account within 'other 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 total recognised gains and losses along with differences which arise from experience or assumption changes.

This scheme was closed to new entrants with effect from 28 January 2003, since which date a defined contribution scheme operates.

For defined contribution schemes, 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.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Cash flow statement

The company has not presented a cash flow statement. It has taken advantage of the exemption in FRS1 (Revised) as an immediate parent company has included a consolidated cash flow statement with its own consolidated financial statements which are publicly available.

2. Turnover

Turnover and profit before taxation are attributable to the principal activity of the company. All turnover is derived from one class of business within the United Kingdom.

Croydon Logistics Limited

Notes to the financial statements Year ended 31 December 2012

3. Information regarding directors and employees

	2012 £'000	2011 £'000
Directors' emoluments		
Emoluments	710	685
Contributions to defined benefit pension scheme	49	49
Remuneration of the highest paid director	186	169

In 2012, contributions of £7,500 were made to the highest paid director's defined contribution pension scheme

In 2011, the accrued pension of the highest paid director as at 31 December 2011 was £89,344

	2012 No.	2011 No.
The number of directors accruing benefits under		
Defined benefit pension scheme	4	4
Defined contribution pension scheme	1	1

Average number of persons employed (including directors)

Production and distribution	67	69
Administration	79	79
	146	148

	2012 £'000	2011 £'000
Staff costs during the year (including directors)		
Wages and salaries	4,944	5,029
Social security costs	538	505
Other pension costs	752	568
	6,234	6,102

4. Operating profit

	2012 £'000	2011 £'000
Operating profit is after charging		
Depreciation	257	295
Operating leases other	65	51
Fees payable to the company's auditors for the audit of the company's annual accounts	10	10
Fees payable to the company's auditor for tax compliance services	16	9

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Notes to the financial statements Year ended 31 December 2012

5 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable from group undertakings	150	114
Other interest receivable and similar income (see note 14)	169	196
	<u>319</u>	<u>310</u>

6. Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Corporation tax charge at 24.5% (2011: 26.5%)	(372)	(175)
Adjustment in respect of prior years	3	(7)
	<u>(369)</u>	<u>(182)</u>
Deferred tax		
Timing differences, origination and reversal	(62)	(191)
Adjustment in respect of prior years	(2)	(12)
Effect of changes in tax rate	(102)	(79)
	<u>(535)</u>	<u>(464)</u>

Reconciliation of current tax charge

The UK corporation tax rate for the period was 26% for the period up to 31 March 2012 and 24% thereafter. 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 is as follows:

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	<u>1,582</u>	<u>1,280</u>
Tax charge on profit on ordinary activities at 24.5% (2011: 26.5%)	(387)	(339)
Factors affecting change		
Expenses not deductible for tax purposes	(48)	(23)
Capital allowances less than depreciation	6	(46)
Other short-term timing differences	(38)	49
Prior year adjustments	3	(7)
Effect of FRS 17 adjustment	95	184
Current tax charge for the year	<u>(369)</u>	<u>(182)</u>

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Notes to the financial statements Year ended 31 December 2012

7. Tangible fixed assets

	Freehold property £'000	Lease- hold improve- ments £'000	Plant, machinery and equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2012	2,676	21	2,313	336	22	5,368
Additions	102	-	295	18	-	415
Disposals	-	-	(17)	(6)	-	(23)
At 31 December 2012	2,778	21	2,591	348	22	5,760
Accumulated depreciation						
At 1 January 2012	1,451	4	1,644	230	19	3,348
Charge for the year	79	2	149	24	3	257
Disposals	-	-	(17)	(6)	-	(23)
At 31 December 2012	1,530	6	1,776	248	22	3,582
Net book value						
At 31 December 2012	1,248	15	815	100	-	2,178
At 31 December 2011	1,225	17	669	106	3	2,020

8. Debtors

	2012 £'000	2011 £'000
Amounts owed from fellow subsidiary undertakings	12,371	10,000
Other debtors	104	69
Prepayments and accrued income	199	116
Deferred tax asset (see note 10)	266	258
Other tax debtor	183	188
	13,123	10,631

9. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	128	1,727
Amounts owed to parent undertaking	6,066	3,046
Other tax and social security creditors	44	46
Corporation tax	130	1
Other creditors	1	4
Accruals and deferred income	969	693
	7,338	5,517

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Notes to the financial statements Year ended 31 December 2012

10. Deferred tax

	£'000
Asset at 1 January 2012	258
Credit to profit and loss account	8
	<u>266</u>
Deferred tax asset at 31 December 2012 (see note 8)	<u>266</u>

	2012 £'000	2011 £'000
Analysed as		
Capital allowances in excess of depreciation	158	180
Short-term timing differences	108	78
	<u>266</u>	<u>258</u>

11. Called up share capital

	2012 £'000	2011 £'000
Authorised, called up, allotted and fully paid. 9,000 ordinary shares of £1 each	9	9
	<u>9</u>	<u>9</u>

12. Profit and loss account

	£'000
At 1 January 2012	4,975
Profit for the financial year	1,047
Other recognised gains and losses relating to the year	(1,336)
	<u>4,686</u>
At 31 December 2012	<u>4,686</u>

13. Reconciliation of movements in shareholder's funds

	2012 £'000	2011 £'000
Opening shareholder's funds	4,984	5,453
Profit for the financial year	1,047	816
Net loss on pension liability	(1,336)	(1,285)
	<u>4,695</u>	<u>4,984</u>
Closing shareholder's funds	<u>4,695</u>	<u>4,984</u>

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Notes to the financial statements Year ended 31 December 2012

14 Pension schemes

Croydon Logistics Limited participates in the Chanel Limited Pension Plan which is a final salary defined benefit multi-employer pension scheme. The assets of the scheme are held in a separate trustee administered fund and the liability presented here represents Croydon Logistics Limited's portion of the total liability. As from 28 January 2003, the scheme was closed to new entrants.

The group now operates a defined contribution scheme open to all eligible employees for which the pension costs charge for the year amounted to £218,774 (2011: £183,664).

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 most recent actuarial valuation of the Chanel Limited Pension Plan was at 5 April 2012. The principal financial assumptions adopted were that the return on investments would be 7.0% per annum, that salary increases would average 3% per annum, and that discretionary increases would be awarded to both current and future pensions in payment at a rate equal to 2.9% per annum, on the whole pension. At the date of the latest valuation, the combined market value of the assets of the schemes was £51.0 million and the deficit was £10.6 million. The last full funding valuation was carried out as at 5 April 2012. Following the completion of this valuation, the Company committed to an additional one-off contribution of £5 million to the pension scheme in 2013 followed by a further £0.9m in each of the subsequent nine years.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below.

	2012	2011	2010
Rate of increase in salaries	3.5%	4.7%	5.1%
Rate of increase in pensions in payment	3.6%	3.1%	2.9%
Rate of increase in deferred pensions	2.9%	3.1%	3.6%
Discount rate	4.4%	4.7%	5.4%
Inflation assumption (increase in RPI)	3.0%	3.2%	3.6%

The mortality assumption has been based on standard tables SINMA/SINFA with 95% loading with CMI 2011 core projections and a long term rate of improvement of 1.25% per annum for all members.

The assets and liabilities of the pension fund operated by the company at 31 December 2012 are shown below.

	Long term expected rate of return at 31 December 2012	Value at 31 December 2012 £'000	Long term expected rate of return at 31 December 2011	Value at 31 December 2011 £'000	Long term expected rate of return at 31 December 2010	Value at 31 December 2010 £'000
Equities	8.25%	12,333	8.25%	10,483	8.25%	11,352
Gilts	2.70%	915	2.80%	1,307	4.00%	590
Corporate bonds	4.10%	5,622	4.70%	3,754	5.40%	3,729
Other	0.50%	1,415	0.50%	1,379	0.50%	1,009
Total market value of assets		20,285		16,923		16,680
Present value of scheme liabilities		(24,564)		(19,821)		(18,513)
Deficit in the scheme		(4,279)		(2,898)		(1,833)
Related deferred tax asset		984		725		495
Net pension liability		(3,295)		(2,173)		(1,338)

Croydon Logistics Limited

Notes to the financial statements Year ended 31 December 2012

14 Pension schemes (continued)

FRS 17 Profit and loss account disclosure

The FRS 17 figures have been calculated using the projected unit method. Since the defined benefit plans are closed to new entrants, under the projected unit method, the current service cost would be expected to increase as the members of the scheme approach retirement.

	2012 £'000	2011 £'000
Analysis of the amount charged to operating profit		
Current service cost	357	385
Total operating charge	356	385
Analysis of the amount credited to other finance income		
Expected return on plan assets	(1,090)	(1,176)
Interest cost on plan liabilities	920	980
Net credit to other interest receivable and similar income (note 5)	(170)	(196)
Total charge to the profit and loss account	187	189

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the Statement of total recognised gains and losses in respect of the defined benefit plan are as follows:

	2012 £'000	2011 £'000
Difference between actual and expected return on plan assets	2,235	(1,414)
Experience (losses)/gains arising on plan liabilities	(2,968)	231
Effects of changes in assumptions underlying the plan liabilities	(1,037)	(577)
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	(1,770)	(1,760)

FRS 17 Analysis of movement in deficit during the year

	2012 £'000	2011 £'000
As at 1 January	(2,898)	(1,833)
Current service cost	(356)	(385)
Employer contributions	576	884
Other financial income	169	196
Actuarial loss	(1,770)	(1,760)
As at 31 December	(4,279)	(2,898)

Croydon Logistics Limited

Notes to the financial statements Year ended 31 December 2012

14 Pension schemes (continued)

History between the expected and actual return on scheme assets:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on scheme assets					
Amount (£'000)	2,235	(1,414)	859	6,662	(2,151)
Percentage of scheme assets	11%	(8%)	5%	46%	(29%)
Experience gains and losses on scheme liabilities					
Amount (£'000)	(2,968)	231	35	(5,599)	16
Percentage of the present value of the scheme liabilities	(12%)	1%	0%	(39%)	0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(1,770)	(1,760)	309	(1,974)	(773)
Percentage of the present value of the scheme liabilities	(7%)	9%	(2%)	11%	9%

15. Operating lease obligations

	Other 2012 £'000	2011 £'000
In the next year	15	-
In the second to fifth years	59	75

16. Related party transactions

The company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose all transactions with Chanel International BV group companies or interests of the group which are related parties

17. Ultimate parent company

Chanel Limited, a company incorporated in the United Kingdom, is the immediate parent company. Chanel International BV is the smallest group which produces consolidated financial statements that include the results of the Company. The consolidated financial statements for Chanel International BV are available from Companies House, Crown Way, Cardiff, CF14 3UZ. The directors regard the company's ultimate parent company and the largest group of which it is a member for which group accounts are drawn up to be Arnem SARL, a company incorporated in Luxembourg. The consolidated financial statements for Arnem SARL are available from Companies House, Crown Way, Cardiff, CF14 3UZ.