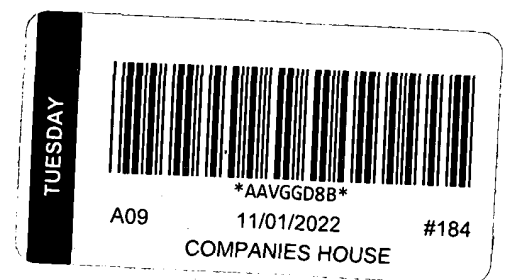


Company Registration No. 00574704

Croydon Logistics Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



Croydon Logistics Limited

Annual Report and Financial Statements For the year ended 31 December 2020

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Croydon Logistics Limited

Annual Report and Financial Statements For the year ended 31 December 2020

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 these 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 2020 and 2019 are as follows:

	2020 £'000	2019 £'000
Turnover	21,721	23,402
Gross margin %	10.8%	12.4%
Pre-tax profit	2,005	1,664
Cash	45	61

The turnover indicator represents what has been invoiced to customers (excluding VAT) in the year and measures sales growth in value terms. Turnover has decreased 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 continued to have an impact on the Company's activities post year-end, however the effect has been less severe in 2021. The Company continues to actively take measures to manage 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 United Kingdom exited the European Union on 31 December 2020. During 2020, Chanel Limited operated in compliance with all applicable laws during the transition phase leading up to Brexit. Chanel Limited also monitored the evolution of laws and regulations that would be introduced to replace European regulations in the United Kingdom or impacting the enforcement of agreements, including but not limited to the EU-UK Trade and Cooperation Agreement which came into effect on 1 January 2021, to ensure Chanel Limited's compliance with such laws and regulations when they would be introduced. Chanel Limited does not believe there is any significant risk to its business model as a result of Brexit. As Croydon Logistics Limited provides services directly to Chanel Limited, the Company has also followed the same laws and regulations.

Croydon Logistics Limited

Strategic report

COVID-19

The global spread of the Covid-19 pandemic and the resulting economic crisis have affected people in ways that were unimaginable. As a global organisation, Chanel is committed to supporting the communities where we operate around the world. Priority has been given to supporting and protecting people, from employees to business partners, by ensuring pay continuity and by maintaining a minimum level of orders to support its suppliers.

Overall, Chanel has shown resilience throughout the pandemic. Our response to the pandemic is a demonstration of Chanel's culture of bringing a cohesive approach consistent with our principles and values, based on the importance of our people and solidarity with our partners, whilst simultaneously remaining agile to meet the rapidly changing needs of the business.

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



P Gaff
Company secretary

23 December 2021

Croydon Logistics Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. Future developments have been considered in the Strategic Report.

Dividends and results

The directors do not recommend the payment of a dividend (2019: £nil).

The results of the Company are stated on page 10.

Directors

The directors who held office during the financial year and up to the date of signing these accounts 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 a strong 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 with the support of Chanel Limited 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

The Audit Committee of Chanel Limited commenced an audit tender process in August 2020. The Group was not obliged to tender the audit but with the implementation of the Revised Ethical Standards issued by the Financial Reporting Council ("FRC"), which further limited the non-audit services performed by the audit firm and with an effective date of periods commencing on or after 15 March 2020, the Group evaluated the services provided by the current auditor, Deloitte LLP, and concluded that they would prefer to retain Deloitte LLP for their non-audit services and embark on the process of appointing a new audit firm for the 2021 financial year.

Following a detailed process, the Group will appoint Ernst & Young LLP as their auditors for the financial year ending 31 December 2021.

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



P Gaff
Company secretary

23 December 2021

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;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2020 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 other 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

Croydon Logistics Limited

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

Croydon Logistics Limited

Matters on which we are required to report by exception

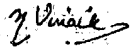
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Nipun Vinaik (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 December 2021

Croydon Logistics Limited

Profit and loss account For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	4	21,721	23,402
Cost of sales		(19,384)	(20,509)
Gross profit		2,337	2,893
Administrative expenses		(508)	(1,366)
Operating profit	5	1,829	1,527
Interest receivable and similar income	7	188	151
Interest payable and similar charges	8	(12)	(14)
Profit before taxation		2,005	1,664
Tax on profit	9	(431)	(136)
Profit for the financial year		1,574	1,528

All results are from continuing operations.

Statement of other comprehensive income and expense For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		1,574	1,528
Items that will not be reclassified subsequently to the profit and loss:			
Actuarial (loss)/gain relating to the pension schemes	16	(2,258)	3,602
UK deferred tax attributable to actuarial loss relating to pension schemes	14	312	(612)
		(1,946)	2,990
Total comprehensive (loss)/income for the year attributable to the owners of the Company		(372)	4,518

Croydon Logistics Limited

Balance sheet As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	10	7,028	4,959
Right of use assets	11	226	408
		<u>7,254</u>	<u>5,367</u>
Net pension asset	16	1,444	3,735
Current assets			
Debtors	12	12,218	11,744
Cash at bank and in hand		45	61
		<u>12,263</u>	<u>11,805</u>
Creditors: amounts falling due within one year	13	<u>(4,790)</u>	<u>(4,252)</u>
Net current assets		<u>7,473</u>	<u>7,553</u>
Total assets less current liabilities		<u>16,171</u>	<u>12,920</u>
Lease liability			
Long term	11	<u>(51)</u>	<u>(163)</u>
Net assets		<u>16,120</u>	<u>16,492</u>
Capital and reserves			
Called up share capital	15	9	9
Profit and loss account		<u>16,111</u>	<u>16,483</u>
Shareholder's funds		<u>16,120</u>	<u>16,492</u>

These financial statements of Croydon Logistics Limited (registered number 00574704) on pages 10 to 29 were approved by the Board of Directors and authorised for issue on 23 December 2021.

Signed on behalf of the Board of Directors

Alberto Fasanotti

A Fasanotti
Director

Croydon Logistics Limited

Statement of changes in equity For the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019	9	11,965	11,974
Profit for the year	-	1,528	1,528
Other comprehensive income for the year	-	2,990	2,990
Balance as at 31 December 2019	9	16,483	16,492
Profit for the year	-	1,574	1,574
Other comprehensive loss for the year	-	(1,946)	(1,946)
Balance as at 31 December 2020	9	16,111	16,120

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

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, certain disclosure in respect of revenue from contracts with customers, impairment of assets, financial instruments, 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

The following applicable amendment has been adopted in the current year. The application of other standards, amendments and interpretations that took effect on 1 January 2020 did not have any significant impact on the Company's financial statements

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

The company has applied the practical expedient retrospectively to all rent concessions that meet the above conditions, and has not restated prior year figures.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

New Standards, Amendments, and Interpretations in issue but not yet effective

At 31 December 2020, the following Standards, Amendments and Interpretations were in issue but not yet effective:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IAS 16: Proceeds Before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements: 2018-2020 cycle
- IFRS 17: Insurance Contracts

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 approval 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. As per the Chanel Group financial statements the Company had a cash balance of \$4,100.6 million. This will also serve to support the Group's working capital requirements including the subsidiaries such as Croydon Logistics Limited 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.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

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.

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.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

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.

Financial instruments

The Company classifies its financial assets in the following categories:

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

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.

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.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

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.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (less than \$5,000 (circa £3,700)), and for variable payments which are not dependent on an index or a rate. For the short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Variable payment leases are recognised based on actual payments.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Company, the lease payments are discounted using the IBR as appropriate for each lease based on factors such as the lessee legal entity credit risk and the lease term.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments in an optional renewal period for which the Company is reasonably certain to exercise a renewal option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

2. Significant accounting policies (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guarantee residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the tangible fixed assets policy.

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.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

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 including.
- Discount rate
- Expected rate of salary increases
- Future pension increases
- Inflation

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:

	2020 £'000	2019 £'000
Services rendered (turnover)	21,721	23,402

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

5. Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	854	888
Loss on disposal of property, plant and equipment	-	3

	2020 £'000	2019 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	21	30
Fees payable to the Company's auditor and its associates for other services:		
Tax compliance services	9	8
Tax advisory services	4	12
	34	50

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

6. Information regarding directors and employees

	2020 £'000	2019 £'000
Directors' emoluments		
Emoluments	1,695	1,125
Pension costs	43	52
Remuneration of the highest paid director	464	378
Highest paid director's pension costs	17	11

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.

	2020 No.	2019 No.
The number of directors accruing benefits under:		
Defined benefit pension schemes	1	1
Defined contribution pension schemes	3	3
Average monthly number of persons employed (including directors)		
Production and distribution	65	76
Administration	100	100
	165	176
	2020 £'000	2019 £'000
Staff costs during the year (including directors)		
Wages and salaries	9,215	8,414
Social security costs	1,120	1,154
Other pension costs	1,311	1,253
Compensation for loss of office	26	36
	11,672	10,857

7. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest from loans to fellow subsidiaries	109	137
Net interest on the net defined benefit liability	79	14
	188	151

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

8. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest Expense on lease liability	6	9
Realised foreign currency transaction loss, net	6	5
	<u>12</u>	<u>14</u>

9. Tax on profit

	2020 £'000	2019 £'000
Current taxation		
United Kingdom corporation tax	344	473
Adjustments in respect of prior years	(3)	(184)
	<u>341</u>	<u>289</u>
Deferred taxation		
Timing differences, origination, reversal and changes in deferred tax rates	93	(499)
Adjustment in respect of prior years	63	293
Effect of changes in tax rate	(66)	53
	<u>431</u>	<u>136</u>

Reconciliation of tax charge

The UK corporation tax rate for the year was 19% (2019: 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:

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	<u>2,005</u>	<u>1,664</u>
Tax charge on profit on ordinary activities at 19% (2019: 19%)	381	316
Factors affecting charge:		
Adjustments in respect of prior years	60	110
Expenses not deductible for tax purposes	56	64
Effect of changes in tax rates	(66)	52
Non qualifying assets	-	(406)
Total tax charge for the year	<u>431</u>	<u>136</u>

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

9. Tax on profit (continued)

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

	2020 £'000	2019 £'000
Deferred tax:		
Items that will not be reclassified subsequently to the profit and loss:		
Actuarial loss relating to pension schemes	(312)	612
Total income tax recognised in other comprehensive income	(312)	612

Factors that may affect the future tax charge

Budget announcements

The UK budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence its effects are not included in these financial statements.

10. Tangible fixed assets

	Freehold land £'000	Freehold property £'000	Machinery, furniture and equipment £'000	Construction in progress £'000	Total £'000
Cost					
At 1 January 2020	525	4,843	5,634	528	11,530
Additions	-	-	27	2,896	2,923
Transfer from construction	-	-	381	(381)	-
At 31 December 2020	525	4,843	6,042	3,043	14,453
Accumulated depreciation					
At 1 January 2020	-	2,511	4,060	-	6,571
Charge for the year	-	217	637	-	854
At 31 December 2020	-	2,728	4,697	-	7,425
Net book value					
At 31 December 2020	525	2,115	1,345	3,043	7,028
At 31 December 2019	525	2,332	1,574	528	4,959

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

11. Leases

Right-of-use assets

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

	Real estate £'000	Machinery, furniture and equipment £'000	Total £'000
Gross			
At 1 January 2020	321	311	632
New leases	-	53	53
Remeasurements	(10)	19	9
Leases terminated	-	(27)	(27)
At 31 December 2020	311	356	667
Accumulated depreciation			
At 1 January 2020	118	106	224
Depreciation expense	122	122	244
Leases terminated	-	(27)	(27)
At 31 December 2020	240	201	441
Carrying amount			
At 31 December 2020	71	155	226
At 31 December 2019	203	205	408

Lease liabilities

	Current £'000	Non-current £'000	Total £'000
Gross			
At 1 January 2020	226	163	389
New leases	17	36	53
Repayments	(254)	-	(254)
Accrued interest	6	-	6
Remeasurements	20	(10)	10
Transfers	138	(138)	-
At 31 December 2020	153	51	204

The total cash outflow in 2020 was £254,111 (2019: £278,793).

Maturity analysis of lease liabilities

	2020 £'000
Less than one year	153
One to five years	51
	204

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

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

15. Called up share capital

	2020 £'000	2019 £'000
Authorised, called up, allotted and fully paid:		
9,000 ordinary shares of £1 each	9	9

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

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 £480,116 (2019: £314,006) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £nil (2019: £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.

	Valuation at 2020 %	2019 %
Key assumptions used:		
Discount rate	1.4	2.0
Expected rate of salary increases	3.0	3.0
Future pension increases	2.7	2.7
Inflation	2.7	2.8

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 2020 %	2019 %
Retiring today:		
Males	21.9	23.0
Females	23.3	24.1

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

16. Retirement benefit schemes (continued)

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

	2020 £'000	2019 £'000
Current service cost	460	462
Interest cost	(79)	(14)
Administrative expenses	20	18
Components of defined benefit costs recognised in profit and loss	<u>401</u>	<u>466</u>

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:

	2020 £'000	2019 £'000
Present value of defined benefit obligations	(45,197)	(40,009)
Fair value of scheme assets	<u>46,641</u>	<u>43,744</u>
Asset recognised in the balance sheet	<u>1,444</u>	<u>3,735</u>

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

	2020 £'000	2019 £'000
At 1 January	(40,009)	(36,715)
Service cost	(460)	(462)
Interest cost	(790)	(1,051)
Actuarial gains and losses due to changes in demographic assumptions	(140)	803
Actuarial losses due to changes in financial assumptions	(4,979)	(3,581)
Actuarial gains - experience gains	26	25
Participant Contributions	(68)	(70)
Benefits paid	<u>1,223</u>	<u>1,042</u>
At 31 December	<u>(45,197)</u>	<u>(40,009)</u>

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

	2020 £'000	2019 £'000
At 1 January	43,744	36,943
Expected return on scheme assets	869	1,065
Actuarial gains	2,834	6,355
Admin expenses	(20)	(18)
Contributions from the Company	369	371
Contributions from scheme members	68	70
Benefits paid	<u>(1,223)</u>	<u>(1,042)</u>
At 31 December	<u>46,641</u>	<u>43,744</u>

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

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	
	2020 £'000	2019 £'000
Equity instruments	33,299	33,039
Debt instruments	8,853	6,578
Corporate bonds	1,981	1,853
Property	1,921	1,958
Other	587	316
	<u>46,641</u>	<u>43,744</u>
	2020 £'000	2019 £'000
Present value of defined benefit obligations	(45,197)	(40,009)
Fair value of scheme assets	<u>46,641</u>	<u>43,744</u>
Surplus in the scheme	<u>1,444</u>	<u>3,735</u>
Experience adjustments on scheme liabilities Amount (£000)	26	25
Percentage of scheme liabilities (%)	(0.1%)	(0.1%)
Experience adjustments on scheme assets Amount (£000)	2,834	6,355
Percentage of scheme assets (%)	<u>6.1%</u>	<u>14.5%</u>

The estimated amounts of contributions expected to be paid to the scheme during the next financial year is £353,332 (2019: £363,718).

The average duration of the defined benefit obligation is 19.8 years (2019: 18.9 years). Further breakdown is as follows:

- Active members: 23.1 years (2019: 21.9 years).
- Deferred vested members: 23.1 years (2019: 21.8 years).
- Retired members: 12.2 years (2019: 11.5 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 £4.2 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by £0.9 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by £1.4 million.

Croydon Logistics Limited

Notes to the financial statements For the year ended 31 December 2020

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

	2020 £'000	2019 £'000
Trade receivables and other current assets	14	98
Revenue	319	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 continued to impact the global economy although the performance in 2021 has been stronger than expected.

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 2020 have not been adjusted to reflect their impact. Other impacts from Covid-19 to business in 2021 have been disclosed in Note 2.

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