Company Registration No. 00246398

Trochair Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Trochair Limited

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For the year ended 31 December 2019

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For the year ended 31 December 2019

Officers and professional advisers

Directors

S A Wright
A Fasanotti

Company Secretary

P S Gaff

Registered Office

5 Queensway
Croydon
Surrey
CR9 4DL

Solicitors

Quastel Midgen LLP
74 Wimpole Street
London
W1G 9RR

Trochair Limited

Strategic report

Introduction and strategy

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

The Company owns a property used as a retail boutique.

The Company leases the property to Chanel Limited. This expires in 2040, providing a steady income stream for twenty one years.

The Company made a loss before tax during the year as interest payments exceeded rental income received.

The directors do not foresee that there will be any significant change in the Company's activities for the foreseeable future. Interest payments on the loan are fixed and predictable whilst the rental income stream increased following the completion of the development work in November 2015. In the short to medium term, the Company will continue to be loss-making at a before tax level; however the directors are confident that in the longer term, through a combination of appreciation in asset values, rent reviews and development of the building, a suitable return will be made on this investment. The Company is forecast to remain in a net asset position and any current liabilities that it is unable to service would be met by Chanel Limited, its parent company, that has provided a guarantee over the Company's liabilities. As such, the Company has adopted the going concern basis for its financial statements. A valuation of the building at 31 December 2018 estimated the fair value of the building at £66.5 million, representing an unrealised gain since acquisition in February 2012 of almost £41 million.

Business review and future developments

The directors consider the Company trading result and financial position to be satisfactory and are confident that a suitable return will be made on this investment in future years. The Board monitors the Company's performance in a number of ways including key performance indicators. The key financial performance indicators together with the information for 2019 and 2018 are as follows:

	2019 £'000s	2018 £'000s
Fair value of investment property	66,500	57,000
Rental income	1,231	1,000
Loss before tax	(350)	(569)
Rental yield based on historical cost	4.84%	3.92%
Cash	688	985

Fair value of investment property represents the estimated sale price less costs to sell. The property is carried at cost of £25.4m (2018 £25.5m) in the balance sheet in line with FRS 102 and the company accounting policy.

The rental income indicator represents income generated from the leasing out of the property during the year.

Loss before tax is the loss generated by the Company from operations before taxation. This indicator measures the overall profitability of the business and the ability of the Company to cover its interest payments.

Rental yield represents rental income as a percentage of the book value of the property.

Cash is the year end balance sheet position as reported in the Company balance sheet.

These performance indicators are measured against budget and prior year and are re-forecast twice a year.

The directors expect the general level of activity to remain consistent with 2019 in the forthcoming year.

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Strategic report (continued)

Principal risks and uncertainties

Business risks

The Company is subject to fluctuations in the property market, especially those specific to central London luxury retail. New Bond Street is a prestigious road in London and commands high property values. If consumer tastes or habits were to change, this could reduce the cachet of a Bond Street address and accordingly the ability to rent the property and its value.

The building is subject to other risks which could impair its value such as fire, natural disaster or a terrorist attack. The Company has taken out appropriate insurances to mitigate this risk.

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 tenant, Chanel Limited, has an excellent financial rating and that there is minimal risk of default.

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.

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

Paul Gaff

P S Gaff
Company Secretary

17th November 2020

Trochair Limited

Directors' report

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

Both the future developments and financial risk management have been considered in the Strategic Report.

Dividends and results

The directors do not recommend the payment of a dividend in respect of the current financial year (2018: £nil).

Details of the results for the year are shown in the profit and loss account on page 6 and the related notes 1 to 16.

Directors

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

M Hamilton (resigned 09/03/20)
S A Wright
A Fasanotti

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.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, given the financial support that will be provided by the other UK group companies including Chanel Limited to cover any shortfall to meet its liabilities. 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

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

Paul Gaff

P S Gaff
Company Secretary

17th November 2020

Trochair 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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.

Trochair Limited

Profit and loss account
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	1,231	1,000
Gross profit		1,231	1,000
Administrative expenses		(86)	(105)
Operating profit		1,145	895
Interest payable to parent company		(1,496)	(1,464)
Loss before taxation	5	(351)	(569)
Tax on loss	7	(88)	(68)
Loss for the financial year		(439)	(637)

The results reflect the continuing operations of the Company.

The Company has no other recognised gains or losses in the year other than as presented in the profit and loss account above and therefore no separate Statement of Other Comprehensive Income has been presented.

Trochair Limited

Balance sheet
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investment property	8	25,415	25,485
Current assets			
Debtors	9	250	-
Cash at bank and in hand		688	985
		938	985
Creditors: amounts falling due within one year	10	(1,564)	(1,742)
Net current liabilities		(626)	(757)
Total assets less current liabilities		24,789	24,728
Creditors: amounts falling due after one year	11	(23,500)	(23,000)
Net assets		1,289	1,728
Capital and reserves			
Called up share capital	12	6,873	6,873
Profit and loss account		(5,584)	(5,145)
Shareholder's funds		1,289	1,728

The financial statements of Trochair Limited (registered number 246398), on pages 6 to 17, were approved by the Board of Directors and authorised for issue on 17th November 2020.

For the year ending 31 December 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

Signed on behalf of the Board of Directors

A Fasanotti
Director

Trochair Limited

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

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018	6,873	(4,508)	2,365
Total comprehensive loss for the year	-	(637)	(637)
Balance at 31 December 2018	6,873	(5,145)	1,728
Total comprehensive loss for the year	-	(439)	(439)
Balance at 31 December 2019	6,873	(5,584)	1,289

Trochair Limited

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

1. General information

Trochair 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 pages 2 to 3.

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

2. Significant accounting policies

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

Basis of accounting

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

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

Where relevant, equivalent disclosures have been given in the group financial statements of Chanel Limited. The group financial statements of Chanel Limited are available to the public and can be obtained as set out in note 15.

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

Recently issued accounting standards

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

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Notes to the financial statements (continued)
For the year ended 31 December 2019

2. Significant accounting policies (continued)

IFRS 16 Leases

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

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

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

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

Impact of Adoption of IFRS 16

Balance Sheet

On transition to IFRS 16 as of 1 January 2019, the Company recognised no additional right-of-use assets or lease liabilities.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report on pages 2 to 3.

The Company is expected to continue to generate negative cash flows into the medium term but forecasts a longer-term net cash generating position, driven by increases in rental income on the property. The Company has a long term lease with its tenant with a rental income of £1 million per year, subject to a five yearly upward only rent review, the next being due in November 2020.

In addition, the Company has obtained financial support that will be provided by the other UK group companies including Chanel Limited to cover any shortfall to meet its liabilities.

On the basis of their assessment of the Company's financial position and long-term forecasts and of the enquiries made of the directors of Chanel Limited, the Company's 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.

Revenue recognition – The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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Notes to the financial statements (continued)
For the year ended 31 December 2019

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Investment property

Investment property, which is a property held to earn rentals and/or for capital appreciation, is stated at cost less depreciation at the balance sheet date. The value of the land and the building has been separately assessed and the building depreciated over 45 years on a straight line basis. Land is not depreciated.

Each year, investment properties are evaluated for impairment with consideration of the latest rent reviews and open market valuations of similar nearby properties and other property market metrics. Conversations are held with external advisers in order for the directors to verify this assessment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 affected.

For all other financial assets 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 re-organisation.

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Notes to the financial statements (continued)
For the year ended 31 December 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

For financial assets carried at amortised cost, the amount of the impairment 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 carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company does not enter into derivative financial instruments.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2019

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

Critical judgments in applying the Company's accounting policies

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

Key source of estimation uncertainty

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

Useful economic life of buildings

The directors have elected to depreciate the building over 45 years; however, this estimate could be significantly different to actual experience as it is noted that many properties on Bond Street have been completely rebuilt within this time frame whilst others are more than 100 years old. The directors consider 45 years to represent an appropriate assumption and will keep this under review.

Impairment of buildings

The building is held at historical cost less depreciation. Changes in economic or market circumstances will cause the value of this building to fluctuate. Whilst property prices on Bond Street have shown a strong upward trend over recent years, property prices may go down as well as up. Accordingly, the directors will keep the value of the building under review in order to determine whether any impairment in the value may be required. A key factor in determining this is the latest open market rents agreed on other properties on Bond Street and how these rental amounts compared to the rent achieved on the Company's property.

4. Turnover

All of the Company's turnover is generated in the UK from the rental of investment property.

5. Loss on ordinary activities before taxation

Loss for the year has been arrived at after charging:

	2019 £'000	2018 £'000
Depreciation of investment property	70	71

6. Staff costs

The Company has no staff (2018: none).

None of the directors of the Company received remuneration in respect of their services to the Company (2018: £nil).

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Notes to the financial statements (continued)
For the year ended 31 December 2019

7. Tax on loss on ordinary activities

	2019 £'000	2018 £'000
Current tax	88	68

Reconciliation of tax charge

The UK corporation tax rate for the year was 19.0% (2018: 19.0%). The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2018 £'000	2016 £'000
Loss on ordinary activities before taxation	(351)	(569)
Tax credit on loss on ordinary activities at 19.0% (2018: 19.0%)	(67)	(108)
Factors affecting charge:		
Non tax deductible loan interest	155	176
Total tax charge for the year	88	68

Factors that may affect the future tax charge

Budget announcements

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

Notes to the financial statements (continued)
For the year ended 31 December 2019

8. Investment property

	£'000
Cost	
At 1 January 2019 and 31 December 2019	25,967
Depreciation	
At 1 January 2019	(482)
Charge for the year	(70)
At 31 December 2019	(552)
Carrying amount	
At 31 December 2019	25,415
At 31 December 2018	25,485

The Company has pledged all of its investment property to secure an intercompany loan.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £1,230,515 (2018: £999,960). Direct operating expenses excluding depreciation arising on the investment property, all of which generated rental income in the year, amounted to £13,906 (2018: £34,099).

The comparable fair value of investment property is estimated to be £66.5 million (2018: £57 million). Trochair Limited obtains valuations periodically related to investment properties from third-parties. The valuations consider transaction prices for similar properties in the surrounding area as well as other factors relevant to the location of the buildings. Fair value less costs of disposal was based on a market approach and considered observable factors such as existing rents, lease term of the property, and current market prices for similar properties. In accordance with IFRS 13, the fair value less costs of disposal of the building is within Level 2 of the fair value hierarchy. There was no change to the methods and assumptions in determining fair value less costs of disposal from the prior year.

9. Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by fellow subsidiaries	250	-
	250	-

Notes to the financial statements (continued)
For the year ended 31 December 2019

10. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to fellow subsidiaries	1,503	1,465
Corporation tax	54	36
Accruals	7	241
	1,564	1,742

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

11. Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Secured borrowing at amortised cost		
Intercompany loan from parent company	23,500	23,000

All borrowings are secured on the investment property. The loan was taken out on 22 February 2012 and is repayable on 22 February 2022. It incurs a fixed rate of interest of 6.28% per annum. Interest charges are calculated annually. Interest is payable in arrears.

12. Called up share capital

	2019 £'000	2018 £'000
Authorised:		
6,873,000 ordinary shares of £1 each	6,873	6,873
Issued and fully paid:		
6,873,000 ordinary shares of £1 each	6,873	6,873

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

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Notes to the financial statements (continued)
For the year ended 31 December 2019

13. Leases

As set out in note 8, property rental income earned during the year was £1,230,515 (2018: £999,960). The property is expected to generate rental yields of 4.0% on an ongoing basis. The property has a committed tenant for the next twenty one years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date, the Company had contracted with its tenant for the following future minimum lease payments:

	2019 £'000	2018 £'000
Within one year	1,000	1,000
In the second to fifth years inclusive	4,000	4,000
After five years	15,851	16,850
	20,851	21,850

14. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 8(j) of FRS 101 not to disclose all transactions with wholly-owned Chanel Limited group companies.

15. 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 CF14 3UZ. The directors regard the ultimate parent company and controlling party to be Litor Limited, a company incorporated in the Cayman Islands.

16. Subsequent events

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

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