Company Registration No. 00246398

Trochair Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Trochair Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

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Trochair Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

Officers and professional advisers

Directors

S A Wright	
A Fasanotti	(resigned 28/01/22)
F Diawara	(appointed 28/01/22)

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 nineteen years.

The directors do not foresee that there will be any significant change in the Company's activities for the foreseeable future. The rental income stream increased following a rent review in March 2021. 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 2021 estimated the fair value of the building at £53 million, representing an unrealised gain since acquisition in February 2012 of just over £27 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 2021 and 2020 are as follows:

	2021 **£'000**	**2020** **£'000**
Fair value of investment property	53,000	55,725
Rental income	1,324	1,000
Profit before tax	1,242	556
Rental yield based on historical cost	5.24%	3.95%
Cash	802	22

Fair value of investment property represents the estimated sale price less costs to sell. The property is carried at cost of £25.3m (2020 £25.3m) 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.

Profit before tax is the profit 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 2021 in the forthcoming year.

Trochair Limited

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

P S Gaff
Company Secretary

27th September 2022

Trochair Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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 (2020: £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:

S A Wright	
A Fasanotti	(resigned 28/01/22)
F Diawara	(appointed 28/01/22)

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

P S Gaff
Company Secretary

27th September 2022

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 2021

	Notes	2021 £'000	2020 £'000
Turnover	4	1,324	1,000
Gross profit		1,324	1,000
Administrative expenses		(80)	(125)
Operating profit		1,244	875
Interest payable to parent company		-	(320)
Interest receivable and similar income		-	1
Interest payable and similar charges		(2)	-
Loss before taxation	5	1,242	556
Tax on loss	7	(249)	(174)
Profit/(Loss) for the financial year		993	382

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 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investment property	8	25,274	25,344
Current assets			
Debtors	9	423	4
Cash at bank and in hand		802	22
		1,225	26
Creditors: amounts falling due within one year	10	(221)	(199)
Net current liabilities		1,004	(174)
Total assets less current liabilities		26,278	25,171
Creditors: amounts falling due after one year	11	(114)	-
Net assets		26,164	25,171
Capital and reserves			
Called up share capital	12	30,373	30,373
Profit and loss account		(4,209)	(5,202)
Shareholder's funds		26,164	25,171

The financial statements and accompanying notes of Trochair Limited (registered number 246398), on pages 6 to 17, were approved by the Board of Directors and authorised for issue on 27th September 2022.

For the year ending 31 December 2021, 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

Fanta Buka Diawara

F Diawara
Director

Trochair Limited

Statement of changes in equity
For the year ended 31 December 2021

	Called up share *capital* £'000	Profit and loss *account* £'000	*Total* £'000
Balance at 1 January 2020	6,873	(5,584)	1,289
Total comprehensive loss for the year	23,500	382	23,882
Balance at 31 December 2020	30,373	(5,202)	25,171
Total comprehensive profit for the year	-	993	993
Balance at 31 December 2021	30,373	(4,209)	26,164

Trochair Limited

Notes to the financial statements
For the year ended 31 December 2021

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

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 March 2021, the IASB amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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

Trochair Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

2. Significant accounting policies (continued)

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

At 31 December 2021, 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 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- 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 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

The application of these standards, amendments and interpretations are not expected to have a significant impact on the impact on the Group's financial statements in future periods.

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 has a long term lease with its tenant with a rental income of £1.3 million per year, subject to a five yearly upward only rent review, the next being due in March 2026.

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.

Trochair Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

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.

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.

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. Profit/(Loss) on ordinary activities before taxation

Profit/(loss) for the year has been arrived at after charging:

	2021 £'000	2020 £'000
Depreciation of investment property	70	70

6. Staff costs

The Company has no staff (2020: none).

None of the directors of the Company received remuneration in respect of their services to the Company (2020: £nil).

7. Tax on loss on ordinary activities

	2021 £'000	2020 £'000
Current tax		
United Kingdom corporation tax charge at 19% (2020: 19%)	-	173
Adjustment in respect of prior year	249	1
	249	174

Reconciliation of tax charge

The UK corporation tax rate for the year was 19.0% (2020: 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:

	2021 £'000	2020 £'000
Loss on ordinary activities before taxation	1,242	556
Tax credit on loss on ordinary activities at 19.0% (2020: 19.0%)	236	106
Factors affecting charge:		
Adjustments in respect of prior years	-	1
Non tax deductible loan interest	13	68
Total tax charge for the year	249	174

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 with the new law substantially enacted on 24 May 2021. The 2020 UK deferred tax assets and liabilities were calculated at 19%, which was the enacted rate at 31 December 2020. As of 31 December 2021, the UK deferred tax assets and liabilities have been re-measured at 25% to reflect the effective date of 1 April 2023.

Trochair Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

8. Investment property

	£'000
Cost	
At 1 January 2021 and 31 December 2021	25,967
Depreciation	
At 1 January 2021	(623)
Charge for the year	(70)
At 31 December 2021	(693)
Carrying amount	
At 31 December 2021	25,274
At 31 December 2020	25,344

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £1,323,544 (2020: £999,970). Direct operating expenses excluding depreciation arising on the investment property, all of which generated rental income in the year, amounted to £3,466 (2020: £3,831).

The comparable fair value of investment property is estimated to be £53 million (2020: £55.7 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

	2021 £'000	2020 £'000
Amounts owed by fellow subsidiaries	339	-
Other debtors	84	4
	423	4

10. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Corporation tax	217	194
Accruals	4	5
	221	199

11. Creditors: amounts falling due after one year

	2021 £'000	2020 £'000
Deferred Rent Asset	114	-

12. Called up share capital

	2021 £'000	2020 £'000
Authorised:		
30,373,000 ordinary shares of £1 each	30,373	30,373
Issued and fully paid:		
30,373,000 ordinary shares of £1 each	30,373	30,373

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

13. Leases

As set out in note 8, property rental income earned during the year was £1,323,544 (2020: £999,970). The property is expected to generate rental yields of 4.0% on an ongoing basis. The property has a committed tenant for the next nineteen 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:

	2021 £'000	2020 £'000
Within one year	1,000	1,000
In the second to fifth years inclusive	4,000	4,000
After five years	13,851	14,849
	18,851	19,849

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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

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.