

**Company Registration Number 3857131**

**Circadian Limited**  
**Directors' Report and Financial Statements**  
**31 December 2010**

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**Circadian Limited**  
**Directors' Report and Financial Statements 2010**

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# **Circadian Limited**

## **Report of the Directors to the Shareholders For the Year Ended 31 December 2010**

The directors submit their annual report and the audited financial statements of the Company for the year ended 31 December 2010

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006

### **Principal activity and review of developments**

The principal activity of the Company is the development of acquired land at Lots Road, London, SW10 as a mixed-use property scheme

During the year, planning, design and other preparatory work have been undertaken in relation to the development proposals

### **Results and dividend**

During the year under review, the Company did not generate any turnover but incurred administrative expenses and net finance charges and as a result there is a retained loss for the year of £1,975,835 (2009 £3,491,455 loss) The net finance charge for the year includes a finance charge of £2,116,314 (2009 £3,639,095) relating to zero coupon bonds issued to shareholders and their fellow group companies The directors do not recommend the payment of a dividend (2009 £nil)

The directors have prepared the financial statements on a going concern basis for the reasons set out in note 1 to the financial statements

### **Future developments**

The directors correctly timed the development programme so as to avoid heavy commitment during the current worldwide credit crisis External borrowing is not required until construction starts in 2011, or later if market condition so dictates The Company is likely to benefit from the cooling down of construction costs and its ability to control the timing of its production to meet market demand

### **Directors**

The following persons held office as directors during the year under review and subsequently

Raymond Wai Kam Chow  
Mo Fong Susan Chow Woo  
Davy Chung  
Edmond Ip  
Raymond Tam (alternate for Mo Fong Susan Chow Woo)  
Wai Leung Edmond Ho (alternate for Davy Chung)

### **Directors' interest in shares of the Company**

No directors have any interests in the shares of the Company

## **Circadian Limited**

### **Report of the Directors to the Shareholders For the Year Ended 31 December 2010 (continued)**

#### **Directors' interests in contracts**

No directors had an interest in any contracts or arrangements with the Company other than by virtue of directorships, or other interests, held in the member companies, or other companies within their respective groups

#### **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). 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 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 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.

#### **Auditors disclosure**

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

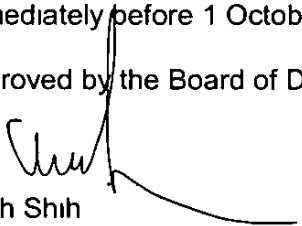
## **Circadian Limited**

### **Report of the Directors to the Shareholders For the Year Ended 31 December 2010 (continued)**

#### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor. An elective resolution in accordance with Section 386 of the Companies Act 1985, dispensing with the need to reappoint auditors on an annual basis, has been passed. This election was in force immediately before 1 October 2007.

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



Edith Shih  
Secretary

Date 15 April 2011

## **Circadian Limited**

### **Independent Auditor's Report to the Members of Circadian Limited**

We have audited the financial statements of Circadian Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

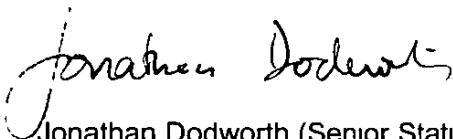
## **Circadian Limited**

### **Independent Auditors' Report to the Members of Circadian Limited (continued)**

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Jonathan Dodworth (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

20 April 2011

# Circadian Limited

## Profit and Loss Account For the year ended 31 December 2010

	Notes	2010 £	2009 £
Other operating income		198,591	219,744
Administrative expenses		<u>(76,428)</u>	<u>(51,092)</u>
<b>OPERATING PROFIT</b>	2	122,163	168,652
Interest payable and similar charges	3	<u>(2,110,257)</u>	<u>(3,620,901)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,988,094)	(3,452,249)
Taxation	5	<u>12,259</u>	<u>(39,206)</u>
<b>RETAINED LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	11	<u><u>(1,975,835)</u></u>	<u><u>(3,491,455)</u></u>

There are no recognised gains or losses other than those shown above and consequently no statement of total recognised gains and losses is presented. There is no material difference between the reported loss and the historical cost loss on ordinary activities before taxation.

All results are from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.




# Circadian Limited

## Balance Sheet as at 31 December 2010

	Notes	2010 £	2009 £
<b>CURRENT ASSETS</b>			
Stocks	6	87,832,128	83,506,683
Debtors	7	2,154,214	2,874,669
Cash at bank and in hand		700,060	1,091,026
		<u>90,686,402</u>	<u>87,472,378</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(41,630,547)</u>	<u>(38,557,002)</u>
<b>NET CURRENT ASSETS</b>		49,055,855	48,915,376
<b>CREDITORS: amounts falling due after one year</b>	9	<u>(71,078,565)</u>	<u>(68,962,251)</u>
<b>NET LIABILITIES</b>		<u>(22,022,710)</u>	<u>(20,046,875)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	100	100
Profit and loss account	11	<u>(22,022,810)</u>	<u>(20,046,975)</u>
<b>SHAREHOLDERS' DEFICIT</b>	11	<u>(22,022,710)</u>	<u>(20,046,875)</u>

The financial statements of Circadian Limited, registered number 3857131, were approved by the Board of Directors and authorised for issue on 15 April 2011 and signed on its behalf by

  
Susan Chow

  
Raymond Chow

The notes on pages 8 to 13 form part of these financial statements

# **Circadian Limited**

## **Notes to the Accounts for the Year Ended 31 December 2010**

### **1 ACCOUNTING POLICIES**

The principal accounting policies of the Company, which have been applied consistently during both periods, are as follows

#### **(a) Basis of accounting**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The Company prepares annual and longer-term plans and in reviewing this information and in particular the current development programmes and budget, the directors believe that the Company will have adequate resources for the foreseeable future. In March 2011, the Company received signed confirmation of continued support from its related party funders for a period of at least 12 months from the date of approval of these financial statements. The directors have made due enquiries of the directors of the supporting companies and believe that these companies are able to provide the necessary support. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements

#### **(b) Turnover**

Turnover comprises sales of properties where construction has been completed and the property has been legally transferred to the purchaser

#### **(c) Profit**

Profit is taken on legal completion of sale of each property

#### **(d) Financial instruments**

Where financial instruments are issued at a discount, that discount is treated as a finance charge and is charged to the profit and loss account. The charge is allocated to periods over the term of the debt at a constant rate on the carrying amount

#### **(e) Stocks**

Stocks are stated at the lower of cost and estimated net realisable value. Cost of stocks comprises land acquisition, construction and other development expenditure

#### **(f) Taxation**

Current tax, including UK corporation 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 is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments for periods that are different from those in which they are recognised in the financial statements

# Circadian Limited

## Notes to the Accounts for the Year Ended 31 December 2010 (continued)

### 1 ACCOUNTING POLICIES (continued)

#### (f) Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more than likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### (g) Other operating income

Other operating income represents rental income receivable from development land

### 2 OPERATING PROFIT

Operating profit is stated after

	2010 £	2009 £
Crediting		
Gross rental income	(198,591)	(219,744)
	<u>          </u>	<u>          </u>
And charging		
Auditor's remuneration – fees payable to the Company's auditors for the audit of the Company's annual accounts	4,500	4,720
	<u>          </u>	<u>          </u>

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable and similar charges		
Other Interest	-	(1)
Finance charge on zero coupon bonds (see notes 9 and 13)	(2,116,314)	(3,639,095)
	<u>          </u>	<u>          </u>
	(2,116,314)	(3,639,096)
Interest receivable		
Bank interest receivable	6,057	18,195
	<u>          </u>	<u>          </u>
	6,057	18,195
	<u>          </u>	<u>          </u>
Net finance charges	(2,110,257)	(3,620,901)
	<u>          </u>	<u>          </u>

# Circadian Limited

## Notes to the Accounts for the Year Ended 31 December 2010 (continued)

### 4 EMPLOYEES' AND DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company during the year (2009 £nil)

In both the current and prior year the Company had no employees, other than the directors listed on page 1

### 5 TAXATION

	2010 £	2009 £
United Kingdom corporation tax at 21%	(12,259)	39,206

The tax (credit) / charge assessed for the period is lower (2009 higher) than that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

#### Factors affecting the charge for the year

	2010 £	2009 £
Loss on ordinary activities before taxation	(1,988,094)	(3,452,249)
Taxation credit at 28% (2009 28%)	556,667	966,630
Effects of		
Losses not recognised	(592,568)	(1,018,947)
Permanent difference		
- Small company rate relief	8,954	13,111
Adjustment in respect of prior periods	39,206	-
Total current tax credit/(charge)	12,259	(39,206)

There is a deferred tax asset of £5,375,267 (2009 £4,981,783), which is not provided, and relates to losses incurred to date The deferred tax asset has not been recognised on the basis that the project is at an early stage and future profits cannot be guaranteed

In June 2010, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011 This legislation was substantively enacted on 21 July 2010 and so has not been taken into account in calculating the Company's current tax for the period The unrecognised deferred tax asset disclosed above has therefore been recalculated at 27%

On 23 March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reduction per annum to reach 23% with effect from 1 April 2014 These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted

# Circadian Limited

## Notes to the Accounts for the Year Ended 31 December 2010 (continued)

### 6 STOCKS

	2010 £	2009 £
Development land and work in progress		
- Land	39,746,626	39,746,626
- Construction and other costs	48,085,502	43,760,057
	<u>87,832,128</u>	<u>83,506,683</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

### 7 DEBTORS: amounts falling due within one year

	2010 £	2009 £
Amounts due from Hutchison Whampoa		
Properties (Europe) Limited	2,000,000	2,500,000
VAT	79,678	292,075
Corporation tax receivable	12,328	-
Other debtors and prepayments	62,208	82,594
	<u>2,154,214</u>	<u>2,874,669</u>

### 8 CREDITORS: amounts falling due within one year

	2010 £	2009 £
Trade creditors	566,786	614,190
Corporation tax	-	39,137
Amounts owed to related parties		
- Circadian (CH) Limited	5,523,498	5,529,998
- Ferrensby Limited	34,816,081	31,315,718
Other creditors	31,271	36,180
Accruals and deferred income	692,911	1,021,779
	<u>41,630,547</u>	<u>38,557,002</u>

# Circadian Limited

## Notes to the Accounts for the Year Ended 31 December 2010 (continued)

### 9 CREDITORS: amounts falling due after one year

The zero coupon bond is unsecured and was issued on 31 December 2009 to Ferrensby Limited at the issue price below. It will mature on 31 December 2012 at the principal value below.

The discount on issue is treated as a finance charge and is charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount. Accrued finance charge to date is detailed below.

	Issue price 31 December 2009 £	Accrued finance charge £	31 December 2010 £
Ferrensby Limited	68,962,251	2,116,314	71,078,565
	<u>68,962,251</u>	<u>2,116,314</u>	<u>71,078,565</u>

The value of the zero coupon bonds above reflects the unwinding of the discount on the principal value of the bonds as noted below.

	Principal Value 2010 £	2009 £
Ferrensby Limited	75,311,192	75,311,192
	<u>75,311,192</u>	<u>75,311,192</u>

### 10 CALLED UP SHARE CAPITAL

	2010 £	2009 £
<u>Authorised</u>		
50,000,000 Ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
	2010 £	2009 £
<u>Issued, called up and fully paid</u>		
100 Ordinary shares of £1	<u>100</u>	<u>100</u>

# Circadian Limited

## Notes to the Accounts for the Year Ended 31 December 2010 (continued)

### 11 COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND STATEMENT OF MOVEMENTS IN RESERVES

	Issued share capital £	2010 Profit and loss account £	Total £	Issued share capital £	2009 Profit and loss account £	Total £
As at 1 January	100	(20,046,975)	(20,046,875)	100	(16,555,520)	(16,555,420)
Loss for the year	-	(1,975,835)	(1,975,835)	-	(3,491,455)	(3,491,455)
At 31 December	100	(22,022,810)	(22,022,710)	100	(20,046,975)	(20,046,875)

### 12 CASH FLOW STATEMENT

The Company has taken advantage of the exemption contained in paragraph 5(f) of FRS1 'Cash Flow Statements' and has not produced a cash flow statement as it meets the criteria of a small company per the Companies Act 2006

### 13 RELATED PARTIES

During the year the Company incurred expenditure for project management fees by its shareholders and their fellow group companies as follows

	2010 £	2009 £
Hutchison Whampoa Properties (Europe) Limited (a 100% subsidiary of Hutchison Whampoa Limited)		
- Project management fee (Recorded within Work in Progress)	1,798,824	1,592,657

Included in accruals and deferred income is the not yet invoiced amount of £544,891 (2009 £566,575) relating to the Hutchison Whampoa Properties (Europe) Limited management fee as shown as above

The Company has issued zero coupon bonds to its shareholders and their fellow group companies. Details and year end balances are disclosed in note 9. Finance charges were accrued and charged to the profit and loss account as follows

	2010 £	2009 £
Ferrensby Limited	2,116,314	3,639,095
	2,116,314	3,639,095

All other amounts owed to or from related parties are disclosed in notes 7 and 8