

Registered number: 03857131

Circadian Limited

Annual report and financial statements

for the year ended 31 December 2021



Circadian Limited

Annual report and financial statements For the year ended 31 December 2021

Contents	Page(s)
Strategic report	1-3
Directors' report	4-5
Directors' responsibilities statement	6
Independent auditor's report	7-10
Profit and loss account	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14-24

Circadian Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Principal activities and review of business

The principal activity of the Company is the development of acquired land at Lots Road, London, SW10 as a mixed-use property scheme known as Chelsea Waterfront project and to sell the developed residential apartments and car park spaces. Planning, design and construction work have been undertaken in relation to the development proposals. The directors are satisfied with the level of business and year-end financial position of the Company.

Results and performance

The results and financial position of the Company for the year ended 31 December 2021 are set out in the financial statements.

As shown in the profit and loss account on page 11, the turnover is £31,871,196 (2020: £57,145,971) representing income from residential apartments and car park spaces sales, ground rent income and rental income receivable from development land. Turnover for the year has been impacted by the global outbreak of COVID-19, which has reduced sales volumes year on year. Gross profit margin, at 49.9%, is lower than prior year (55.5%) due to the change in sales mix achieved during the year. Profit for the financial year of £5,588,611 (2020: £18,108,711) has been transferred to reserves. The net finance charge for the year includes a finance charge of £5,199,810 (2020: £5,944,325) relating to loans from fellow group companies.

The balance sheet on page 12 shows the Company's financial position at the year-end with net assets of £72,193,364 (2020: £66,604,753 net assets).

COVID-19 had minimal impact on the operation of the Company as social distancing protocols were exercised on the construction site allowing construction work to continue.

Financing

As at 31 December 2021 the Company has loans from fellow group companies of £506,597,000 (2020: £343,597,000) and cash at bank of £70,292,131 (2020: £24,037,542). The loans issued in the year are disclosed further in Note 14. On 15 September 2022 the £343,597,000 loan from Super Achieve Investments Limited, which was previously due to mature on 16 September 2022, was extended for a 5 year period at a rate of SONIA + 1.4644% per annum.

Future developments

The Company will continue to develop the Chelsea Waterfront project and to sell the developed properties.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to the global outbreak of COVID-19, the external economic climate and demands in both commercial and residential property sectors.

On 31 December 2020 the country resigned its membership of the European Union and left the EU single market and custom union. In addition, the crisis in Ukraine and the financial sanctions against Russia announced by the UK Government may interrupt supplies of commodities, oil, gas and electricity. This has contributed to the increase in cost of living with the rising cost of energy and has led to inflation hitting record high in 40 years. At this point in time there has been no material impact to ongoing activities. However, the Company continues to closely monitor the position and assess any possible impacts on the going concern of the Company.

Given the uncertainty in the UK following the global outbreak of COVID-19, the directors will continue to pro-actively monitor developments to ensure all risks and opportunities for the business are identified as soon as possible. The directors do not currently anticipate material disruption or impact to business arising from COVID-19 and the Company continues to enjoy the support of its shareholders and group companies.

Financial risk management

The management manages and assesses the exposures to the following financial risks by the Company to ensure appropriate measures are implemented on a timely and effective manner.

Circadian Limited

Strategic report (continued)

Financial risk management (continued)

(i) Credit risk

The Company has no significant concentrations of credit risk with third parties.

(ii) Interest rate risk

The Company has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. Borrowings at market interest rates expose the Company to cash flow interest rate risk.

(iii) Liquidity risk

The Company manages liquidity risk by ensuring that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through management of resources and operating cash flows.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that no further analysis is required for an understanding of the development, performance or position of the business.

Section 172(1) statement

As far as the directors are aware, all legal requirements under section 172 of the Companies Act 2006 have been complied with during the period and up to the date of signing the accounts.

The statement of actions and responsibilities of the Board below has been produced with regard to the matters set out in section 172(1)(a) to (f) of Companies Act 2006, as listed below:

- The likely consequences of any decision in the long term (approving the strategic direction and values);
- The interests of the company's employees, if any;
- The desirability of the company maintaining a reputation for high standards of business conduct;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment; and
- The need to act fairly as between members of the company.

The Company is committed to pursuing leading governance practices as appropriate.

Actions and responsibilities of the Board

The Board is responsible for and makes key decisions on the following areas.

Approving the strategic direction and values, with consideration of the likely consequences in the long term

The Board is responsible to the shareholders for the strategic direction of the Company in both the short and long term and seeks to balance the best interests of the Company with the objective of enhancing shareholder value.

The long term primary objectives which reflect the strategic value of the Company to develop residential apartments and commercial units of high quality standards. The Board ensure they are aware of how well the Company is performing in these areas through the review of the operations and discussions with senior management during board meetings.

Each year the Board reviews senior management's projected results of the Company over the next five years, including the funding requirements, with reference to the strategic direction of the Company. If appropriate, the Board agrees these targets as the budget for the following financial year (short term objectives).

Interests of the Company's employees

The Company does not have any employees. The operations are managed by employees of related parties.

Circadian Limited

Strategic report (continued)

Maintaining a reputation for high standards of business conduct

As a company we believe that we are trusted by our stakeholders and have a good reputation for high standards of professionalism within the business we conduct. As part of this, the Board has oversight of and actively monitors the strong control environment managed by senior management to ensure a high standard of business conduct is met and the reputation of the Company is maintained.

Maintaining relationships with key suppliers, customers and others

The Board is focused on maintaining strong relationships with the Company's suppliers and other key stakeholders to ensure this is to the benefit of all parties. All contracts with suppliers and service providers, as well as transaction documents with counterparties are approved by directors, having first been reviewed by the legal department and other members of the senior management team. Payments to suppliers and service providers are authorised by directors and are made on a timely basis. The directors also review any feedback or requests made by suppliers and other key stakeholders upon receipt.

Monitoring the impact of the company: environmental matters and community impact

Stakeholder engagement is very important to the Company and is encouraged by the Board. Local communities are engaged in consultation and considerations for the operational hours of construction are also made to minimise the disruption as well as the noise impact to the local residents.

Maintenance of the need to act fairly between members of the company

The Company is a wholly-owned subsidiary company of Circadian (CH) Limited hence only has one member. The fiduciary duties of the Board include the promotion of the Company's success and ensuring the interests of the member are appropriately protected.

Approved by the Board and signed on its behalf by:



Raymond Chow
Director

21 September 2022

Circadian Limited

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021. Details of principal risks and uncertainties, review of business, future developments, financial risk management, results and performance and KPIs can be found in the Strategic Report on pages 1 to 3.

Dividends

No interim dividend was paid during the year (2020: nil) and the directors do not recommend the payment of a final dividend (2020: nil).

Going concern

The Company has recorded a profit for the year of £5,588,611 and has net current assets of £226,441,986. During the year, the Company has drawn down £163,000,000 across two credit commitments totalling £540,000,000 from fellow subsidiaries of CK Asset Holdings Limited, repayable in 2026. Whilst the Company has net assets of £72,193,364 at 31 December 2021, the Company's ultimate holding company and controlling party has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for a period of at least twelve months from the date when the financial statements are authorised for issue. The directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied that this will remain available. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Given the uncertainty in the UK following the global outbreak of COVID-19, the directors will continue to pro-actively monitor developments to ensure all risks and opportunities for the business are identified as soon as possible. The directors do not currently anticipate material disruption or impact to business arising from COVID-19 and the Company continues to enjoy the support of its shareholders and group companies.

Directors

The following held office as directors during the year and up to the date of signing the financial statements:

Hing Lam Kam
Justin Chiu
Raymond Chow
Raymond Tam

None of the directors had any interest in the shares of the Company during the year.

No director beneficially owns any of the ordinary shares or share options of the Company or has had a material interest in contracts of any significance during or at the end of the year.

Directors' and officers' liability insurance and qualifying third party indemnity are provided to the directors of the Company by another company within the CK Asset Holdings group. The CK Asset Holdings group is defined as CK Asset Holdings Limited and its subsidiaries.

A summary of how the directors have fostered the Company's business relationships with suppliers, customers and others, including on the principal decisions taken by the Company during the financial year may be found in the Strategic Report.

Streamlined Energy and Carbon Report

The data included in the table below covers the reporting requirements detailed in the Streamlined Energy and Carbon Reporting ("SECR") regulations and represents the carbon and energy performance of the Company for the year to 31 December 2021.

	2021	2020
Emissions from combustion of fuel for transport purposes, tCO ₂ e (scope 1)	2	3
Emissions from purchased electricity, heat and cooling, kWh (scope 2)	605,608	1,945,295
Intensity ratio (kWh per square foot of unsold apartments)	3	5

Circadian Limited

Directors' report (continued)

Streamlined Energy and Carbon Report (continued)

Carbon dioxide equivalent (CO₂e) emissions are calculated using the UK Government GHG Conversion Factors and Methodology for Company Reporting 2021. The intensity measurement used is the unsold residential apartment floor area as the purchased electricity, heating and cooling are primarily from the unsold residential apartments.

Energy efficiency measures such as installation of smart meters and adjusting to lower temperature on the thermostat setting in the unsold residential apartments to reduce energy wastage.

Statement of disclosure of information to auditor

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

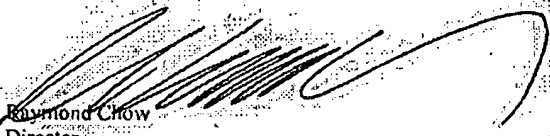
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s418 (1) to (4) of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed to the shareholder.

Approved by the Board and signed on its behalf by:



Raymond Chow
Director

21 September 2022

Circadian 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 applicable UK Accounting Standards have 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the CK Asset Holdings group company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Circadian Limited

Independent auditor's report to the members of Circadian Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Circadian Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

Circadian Limited

Independent auditor's report to the members of Circadian Limited (continued)

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.

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.

Circadian Limited

Independent auditor's report to the members of Circadian Limited (continued)

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

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.

As a result of performing the above, we identified the greatest potential for fraud to be in the incentive for management to manipulate assumptions used in the assessment of the carrying value of stock. Our specific procedures performed to address it are described below:

- We have audited the forecast cost and sales assumptions utilised in management's impairment assessment in comparison to contracted costs and market data, including testing the mathematical accuracy of the project model. We have also performed movement analysis based on prior year values as well as sensitivity tests on adverse changes in the assumptions.

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 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.

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.

Circadian Limited

Independent auditor's report to the members of Circadian Limited (continued)

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.



Andy Siddons, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

21 September 2022

Circadian Limited

Profit and loss account

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	31,871,196	57,145,971
Cost of sales		(15,961,205)	(25,405,940)
Gross profit		15,909,991	31,740,031
Administrative expenses		(4,600,796)	(3,747,410)
Other operating income	4	23,183	50,071
Operating profit	5	11,332,378	28,042,692
Net interest payable and similar expenses	6	(5,058,269)	(5,807,368)
Profit before taxation		6,274,109	22,235,324
Tax on profit	8	(685,498)	(4,126,613)
Profit for the financial year and total comprehensive income		<u>5,588,611</u>	<u>18,108,711</u>

All results are from continuing operations.

There are no recognised gains or losses other than those shown above and consequently no separate statement of total comprehensive income is presented.

The notes on pages 14 to 24 form part of these financial statements.

Circadian Limited

Balance sheet As at 31 December 2021

	Notes	2021 £	2020 £
Fixed assets			
Investments	9	8,751,378	8,746,754
Current assets			
Stocks	11	486,757,197	393,330,700
Debtors: amounts falling due after more than one year	12	21,700,000	
Debtors: amounts falling due within one year	12	9,826,131	2,549,525
Cash at bank and in hand		70,292,131	24,037,542
		588,575,459	419,917,767
Creditors: amounts falling due within one year	13	(362,133,473)	(18,462,768)
Net current assets		226,441,986	401,454,999
Total assets less current liabilities		235,193,364	410,201,753
Creditors: amounts falling due after more than one year	14	(163,000,000)	(343,597,000)
Net assets		72,193,364	66,604,753
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account		72,193,264	66,604,653
Total shareholder's funds		72,193,364	66,604,753

The financial statements of Circadian Limited (03857131) were approved by the Board of Directors and authorised for issue on 21 September 2022. They were signed on its behalf by:


Raymond Chow
Director


Raymond Tam
Director

The notes on pages 14 to 24 form part of these financial statements.

Circadian Limited

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

	Called up share capital £	Profit and loss account £	Total £
Balance as at 1 January 2020	100	48,495,942	48,496,042
Profit for the year and total comprehensive income	-	18,108,711	18,108,711
Balance as at 31 December 2020	100	66,604,653	66,604,753
Profit for the year and total comprehensive income	-	5,588,611	5,588,611
Balance as at 31 December 2021	100	72,193,264	72,193,364

The notes on pages 14 to 24 form part of these financial statements.

Circadian Limited

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

The principal accounting policies of the Company, which have been applied consistently during the current and previous years, are as follows:

a. General information and basis of accounting

Circadian Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 1 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 issued by the Financial Reporting Council and the Companies Act 2006.

The functional currency of the Company is considered to be pounds sterling because this is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under S9.3A of FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, for financial instruments, remuneration of key management personnel and cash flow statement. The Company has taken exemption under Companies Act 2006 S.401(1)(b) to present consolidated financial statements. The Company is consolidated in the financial statements of its ultimate parent undertaking and controlling party, CK Asset Holdings Limited and its registered address is disclosed in note 18.

b. Going concern

The Company has recorded a profit for the year of £5,588,611 and has net current assets of £226,441,986. During the year, the Company has drawn down £163,000,000 across two credit commitments totalling £540,000,000 from fellow subsidiaries of CK Asset Holdings Limited, repayable in 2026. Whilst the Company has net assets of £72,193,364 at 31 December 2021, the Company's ultimate holding company and controlling party has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for a period of at least twelve months from the date when the financial statements are authorised for issue. The directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied that this will remain available. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

c. Tangible assets

Tangible assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Motor vehicles	20%
----------------	-----

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

d. Financial assets and liabilities (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

e. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost of stocks comprises land acquisition, construction and other development expenditure.

f. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Investments

Investments in subsidiaries and associates are measured at cost less impairment.

h. 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.

i. Deferred tax

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.

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.

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

j. Turnover

Turnover is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Where payments are received from customers in advance of the residential apartments and car park spaces are legally transferred to the customers, the amounts are recorded as sales received in advance. Rental income is recognised as per the term of the tenancy at will between the Company and the tenant which is terminable at any time.

k. Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

l. Other operating income

Other operating income from forfeited reservation fee are recognised when payments are received and the customers notify the Company of the forfeited sale. Licence fee for alteration and assignment are recognised when payments are received.

m. Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction, except when covered by a forward exchange contract when the contracted rate is used.

Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources, for example, accruals. 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. The directors have not identified any critical accounting judgements this year.

Key source of estimation uncertainty – impairment of stock

Stock is value at the lower of cost and estimated net realisable value. Determining whether stocks are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future costs to complete the stock and their forecast sales income along with a suitable discount rate in order to calculate present value, taking into consideration of the sensitivities and movements in the market. The value of stock at the end of 2021 is £486,757,197 (2020: £393,330,700).

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3. Turnover

An analysis of the Company's turnover, which all arises in the United Kingdom, is as follows:

	2021 £	2020 £
Sale of residential apartments	30,909,000	55,678,330
Sale of car park spaces	825,000	1,340,000
Ground rent income	92,246	82,691
Gross rental income	44,950	44,950
	<u>31,871,196</u>	<u>57,145,971</u>

Gross rental income represents rental income receivable from development land in the United Kingdom. The leases for the ground rent expire on 28 September 2996 with committed future lease value of £96,158,393 (2020: £86,206,910).

4. Other operating income

	2021 £	2020 £
Forfeited reservation fee on abandoned sales	15,000	5,000
Sundry income	8,183	45,071
	<u>23,183</u>	<u>50,071</u>

5. Operating profit

Operating profit is stated after charging the following:

	2021 £	2020 £
Auditor's remuneration for auditing of the financial statements	15,792	10,095
Auditor's remuneration for non-audit work – Tax advisory fee	10,000	-
Depreciation – owned asset (note 10)	-	5,478
Foreign currency loss	2,381	17,461

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Net interest payable and similar expenses

	2021 £	2020 £
Interest payable and similar expenses:		
Interest payable on loan from fellow group companies (note 17)	5,199,810	5,944,325
Other interest expense	1,280	-
	<u>5,201,090</u>	<u>5,944,325</u>
Interest receivable and similar income:		
Less: Interest receivable on loan to fellow group companies (note 12)	(100,432)	-
Less: Bank interest receivable	(40,150)	(135,556)
Less: Other interest receivable	(2,239)	(1,401)
	<u>(142,821)</u>	<u>(136,957)</u>
Net finance charges	<u>5,058,269</u>	<u>5,807,368</u>

7. Employees and directors' emoluments

No fees or other emoluments were paid to the directors in respect of their services to the Company during the year (2020: nil).

The Company had no employees in both the current and prior year.

8. Tax on profit

	2021 £	2020 £
Current tax:		
UK corporation tax on profit for the year at 19% (2020: 19%)	(1,453,754)	(4,126,512)
Adjustment in respect of prior years	(1,103,547)	(101)
	<u>(2,557,301)</u>	<u>(4,126,613)</u>
Deferred tax (note 15):		
Accelerated capital allowances	(357)	-
Corporate interest restriction	414,174	-
Adjustment in respect of prior years	1,457,986	-
	<u>(685,498)</u>	<u>(4,126,613)</u>
Tax charge on profit	<u>(685,498)</u>	<u>(4,126,613)</u>

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

8. Tax on profit (continued)

Factors affecting the charge for the year

The tax charge assessed for the year is lower (2020: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit before taxation	6,274,109	22,235,324
Taxation charge at 19% (2020: 19%)	(1,192,081)	(4,224,712)
Effects of:		
Adjustment in respect of prior years	5,951	(101)
Expenses not deductible for tax purposes	(1,177)	(114)
Capital allowance in excess of depreciation	-	(661)
Land remediation relief	53,919	98,975
Effect of tax rate differences	447,890	-
Total tax charge	(685,498)	(4,126,613)

The corporation tax rate in the UK remained at 19% for 2021 (2020: 19%). Accordingly, the Company's taxation charge for this financial year has been calculated at an effective rate of 19% (2020: 19%).

Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 1 April 2023 and introduced a small profits rate set at 19% for companies with profits up to £50,000 along with associated companies rules.

9. Investments

	Interest in subsidiary companies £	Amounts owed from group undertaking £	Total £
As at 1 January 2021	200	8,746,554	8,746,754
Additions	-	4,624	4,624
As at 31 December 2021	200	8,751,178	8,751,378

Amounts owed from group undertaking are not expected to be settled by repayment within 12 months of the balance sheet date and therefore as of 31 December 2021 this is presented as Investments within Fixed assets.

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

9. Investments (continued)

Details of the subsidiary companies are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Percentage of shareholding
Chelsea Waterfront Nominee 1 Limited	England and Wales	Property holding nominee in the United Kingdom	100%
Chelsea Waterfront Nominee 2 Limited	England and Wales	Property holding nominee in the United Kingdom	100%

The interest in subsidiary companies are unlisted ordinary shares at cost. The subsidiary companies' address of the registered office is Hutchison House, 5 Hester Road, London, SW11 4AN, United Kingdom.

10. Tangible assets

	Motor vehicles
Cost	
At 1 January 2021	49,742
Additions during the year	-
At 31 December 2021	49,742
Accumulated depreciation	
At 1 January 2021	49,742
Charge for the year	-
At 31 December 2021	49,742
Net book value	
At 31 December 2021	-
At 31 December 2020	-

11. Stocks

	2021	2020
	£	£
Development land and work in progress		
- Land	83,796,626	83,796,626
- Construction and other costs	250,643,811	146,667,722
- Completed stock	152,316,760	162,866,352
	486,757,197	393,330,700

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

12. Debtors

	2021 £	2020 £
Amounts falling due within one year		
Amounts owed from group undertakings:		
- Chelsea Waterfront Limited	31,838	26,751
- Chelsea Waterfront Nominee 1 Limited	33,097	28,011
- Chelsea Waterfront Nominee 2 Limited	33,047	27,961
Interest receivable from fellow group companies	100,432	-
VAT recoverable	1,128,676	387,857
Prepayment	116,900	116,287
Other debtors	1,443,123	1,436,702
Corporation tax recoverable	5,067,215	525,956
Deferred tax asset (note 15)	1,871,803	-
	<u>9,826,131</u>	<u>2,549,525</u>

All debtors are due within one year. Amounts owed from fellow group undertakings are unsecured, interest free and repayable on demand.

Amounts falling due after more than one year

	2021 £	2020 £
Loans to fellow group companies	<u>21,700,000</u>	<u>-</u>

On 16 August 2021 interest bearing loans at a rate of LIBOR +1.01% per annum and unsecured of £17,500,000 and £4,200,000 were issued to Convoys Properties Limited and Castlefield International Limited respectively, both are a fellow subsidiary of CK Asset Holdings Limited, repayable on 31 December 2025.

13. Creditors: amounts falling due within one year

	2021 £	2020 £
Amounts owed to group undertakings:		
- Ferrensby Limited	194,506	194,570
- Albion Residential Limited	1,115	1,798
- Convoys Properties Limited	53,755	284,192
- Bymoon Limited	14,250	-
Trade creditors	732,519	1,300,261
Amounts owed to related entities (note 17)	3,528,559	-
Rental deposits	500	500
Sales received in advance	54,977	10,000
Retention money payable to contractors	3,297,200	4,093,632
Accruals	8,325,008	11,404,970
Interest payable to a fellow group company	2,334,084	1,172,845
Loan from a fellow group company	343,597,000	-
	<u>362,133,473</u>	<u>18,462,768</u>

Amounts owed to fellow group undertakings and related entities are unsecured, interest free and repayable on demand.

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

13. Creditors: amounts falling due within one year (continued)

The loan from a fellow group company is interest bearing at a rate of LIBOR +1% per annum and unsecured, it was borrowed on 17 September 2019 and was repayable on 16 September 2022. The loan has been extended for a 5 year period at a rate of SONIA + 1.4644% per annum on 15 September 2022.

14. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Loans from fellow group companies	163,000,000	343,597,000

On 24 February 2021 a £90,000,000 interest bearing loan at a rate of LIBOR +1% per annum and unsecured from a £270,000,000 credit commitment was issued by Bayswater Yingkoudao (HK) Limited, a fellow subsidiary of CK Asset Holdings Limited, repayable on 23 February 2026.

On 3 November 2021 a £73,000,000 interest bearing loan at a rate of LIBOR +1% per annum and unsecured from a £270,000,000 credit commitment was issued by Super Achieve Investments Limited, a fellow subsidiary of CK Asset Holdings Limited, repayable on 2 November 2026.

On 15 September 2022 the £343,597,000 loan from Super Achieve Investments Limited, which was previously due to mature on 16 September 2022, was extended for a 5 year period at a rate of SONIA + 1.4644% per annum.

15. Deferred tax

Deferred tax asset

	2021 £	2020 £
Accelerated capital allowances	5,594	-
Corporate interest restriction	1,866,209	-
Deferred tax asset	1,871,803	-
At 1 January	-	-
Deferred tax at 19% for the financial year	5,594	-
Deferred tax at 25% for the financial year	1,866,209	-
At 31 December	1,871,803	-

16. Called up share capital

	2021 £	2020 £
Allotted and fully paid		
100 (2020: 100) ordinary shares of £1	100	100

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

17. Related party transactions

During the year, the Company incurred expenditure for project management fees charged by its fellow group company as follows:

	2021 £	2020 £
Hutchison Property Group (UK) Limited	3,803,209	3,580,076

Included in accruals is the not yet invoiced amount of £1,021,189 (2020: £1,796,135) relating to the Hutchison Property Group (UK) Limited project management fee as shown as above.

During the year, the Company incurred expenditure for sales consultancy fees charged by its fellow group companies as follows:

	2021 £	2020 £
Hutchison Property Group (UK) Limited	79,335	142,546
Bymoon Limited	158,670	260,341
	<u>238,005</u>	<u>402,887</u>

During the year, the Company incurred professional fees for licence fee for alteration and assignment on the resident units in the Chelsea Waterfront development by its fellow group company as follows:

	2021 £	2020 £
Hutchison Property Group (UK) Limited	3,000	12,900

The Company has borrowed loans from its fellow group companies, Super Achieve Investments Limited and Bayswater Yingkoudao (HK) Limited. Finance charges were accrued and charged to the profit and loss account as follows:

	2021 £	2020 £
Super Achieve Investments Limited	4,328,761	5,944,325
Bayswater Yingkoudao (HK) Limited	874,049	
	<u>5,199,810</u>	<u>5,944,325</u>

Circadian Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

17. Related party transactions (continued)

The Company has issued loans to its fellow group companies, Convoys Properties Limited and Castlefield International Limited. Finance incomes were accrued and recognised to the profit and loss account as follows:

	2021 £	2020 £
Convoys Properties Limited	80,994	-
Castlefield International Limited	19,438	-
	<u>100,432</u>	<u>-</u>

During the year, the Company has claimed group relief on its corporation tax from the following related entities:

	2021 £	2020 £
Greene King Brewing and Retailing Limited	3,500,996	-
CK Noble (Jersey) Limited	3,224	-
Wellness Legion (Jersey) Limited	20,641	-
Wellness Legion (UK) Limited	1,355	-
CK William Midco 1 Limited	2,343	-
	<u>3,528,559</u>	<u>-</u>

All other amounts owed to or from related parties are disclosed in notes 12 to 14, other transactions are covered by the disclosure exemption.

18. Immediate and ultimate parent undertaking

The immediate parent undertaking of the Company is Circadian (CH) Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent undertaking and controlling party is CK Asset Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in the Cayman Islands. The address of the registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The group financial statements of CK Asset Holdings Limited, which is both the largest and smallest group into which the financial results of the Company are consolidated, can be obtained from 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

19. Financial commitments

Capital commitments are as follows:

	2021 £	2020 £
Contracted for but not provided for - Properties under development	<u>214,452,615</u>	<u>315,108,261</u>