

**CK Steel (UK) Limited**

**Annual report and financial statements**

**for the year ended 31 December 2019**

**Registered number: 11398252**

**CK Steel (UK) Limited**

**Annual report and financial statements  
For the year ended 31 December 2019**

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## **CK Steel (UK) Limited**

### **Strategic report**

The directors present their Strategic report for the year ended 31 December 2019.

#### **Principal activity and review of business**

CK Steel (UK) Limited ("the company") is a wholly-owned subsidiary of CKA Holdings (UK) Limited. The principal activity of the company is that of an investment holding company.

During the year ended 31 December 2019, the company subscribed for 200 shares in CK Noble (Jersey) Limited for £2,654,519,000 to indirectly acquire Greene King plc, an integrated brewer and pub retailer.

For the year ended 31 December 2019, the company generated a profit after tax of £9,628,000 (period from 5 June 2018 to 31 December 2018: loss of £11,090,000). The directors are satisfied with the level of business and year-end financial position of the company. As a result of the acquisition, consultancy costs of £1,146,000 were incurred (period from 5 June 2018 to 31 December 2018: £nil).

#### **Results and dividends**

The results and financial position of the company for the year ended 31 December 2019 are set out in the financial statements. As shown in the profit and loss account on page 10, the company received dividend income of £35,000,000 for the year ended 31 December 2019 (period from 5 June 2018 to 31 December 2018: £nil). The net finance charge for the year ended 31 December 2019 includes a finance charge of £37,248,000 (period from 5 June 2018 to 31 December 2018: £16,897,000) relating to unsecured loans from a fellow group company. Profit before taxation for the year ended 31 December 2019 amounted to £7,552,000 (period from 5 June 2018 to 31 December 2018: loss before taxation of £11,090,000).

Interim dividends of £16,000,000 were paid in the year (period from 5 June 2018 to 31 December 2018: £nil) and the directors do not recommend the payment of a final dividend.

During the year, the company issued:

- 1 ordinary share on 30 October 2019 for a total consideration of £6,079,565.50;
- 99 ordinary shares on 11 November 2019 for a total consideration of £1,472,022,800.50; and
- 800 ordinary shares on 31 December 2019 for a total consideration of £76,416,547.00.

The balance sheet on page 11 shows the company's financial position at the balance sheet date with net assets of £1,687,057,000 compared to £138,910,000 at 31 December 2018.

The expected future developments of the company are determined by the strategy of the group. There are no future developments outside of the company's current operations planned.

#### **Future developments**

Future developments are specified in Directors' report.

#### **Key performance indicators (KPIs)**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

## **CK Steel (UK) Limited**

### **Strategic report**

#### **S.172 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 year 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 be a top performing investment holding company. 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 proposals of performance targets of the company over the next five years, 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 senior management of related parties.

##### **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. The company's environmental impact and carbon footprint is an area which the Board encourages senior management to look at, particularly the use of technology to reduce business meeting travel and physical documents.

## CK Steel (UK) Limited

### Strategic report

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

The company is a wholly-owned subsidiary company of CKA Holdings UK 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.

#### Principal risks and uncertainties

The company holds investments in the pub retail and brewery industry as well as a large property investment group. As such, the fundamental underlying risks for this company comprise those of the pub retail and brewery industry and the property group as discussed below:

The company generated returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- product portfolio and pricing to meet consumer tastes and habits, as well as market activity and competitor pricing;
- changes in economic uncertainty and cost pressures from COVID-19, Brexit and National Living Wage/National Minimum Wage;
- reliance on key suppliers and third party distributors to supply goods, in particular food and drink
- recruitment, retention and development of employees, particularly in the pub retail and brewery industry;
- compliance with health and safety, food safety and employment legislation;
- demand for space from occupiers against available supply;
- identification and execution of investment and development strategies which are value enhancing;
- availability of financing or refinancing at an acceptable cost;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- legislative changes, including planning consents and taxation;
- engagement of development contractors with strong covenants; and
- environmental and health and safety policies.

The company continues to consider the potential impact of Brexit on its business. At this point in time it is difficult to predict the outcome and the opportunities and threats that would result and the company is managing these by closely monitoring the position and assessing any possible impacts on the going concern position of the company.

The risks associated with COVID-19 are discussed within the Directors' Report.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to the directors and is considered and managed on a continuous basis. The directors use their knowledge and experience to knowingly accept a measured degree of market risk.

The company's activities also expose it to a number of financial risks, including credit risk and liquidity risk. The company is primarily financed by debt and equity, with liquidity risk managed through intergroup assets and liabilities. Credit risk is managed through the assessment of recoverability of balances. All intercompany balances are deemed recoverable. The recovery of the investments held in the balance sheet is a risk but based on the underlying cash flow forecasts the directors deem this risk to be low.

Approved by the Board and signed on its behalf by:

  
Edmond Wai Leung Ho  
Director  
29 September 2020

## **CK Steel (UK) Limited**

### **Directors' Report**

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

#### **Directors**

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

Kong Ting Chow (appointed 22 June 2020)  
Sun Keung Chung  
Guy Butterworth Ellis (resigned 22 June 2020)  
Edmond Wai Leung Ho  
Gerald Lai Chee Ma  
Jonathan Theodore Miller  
Eirene Yeung

None of the directors had any interests 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 is 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.

#### **Going concern**

The Balance Sheet shows that the company has net current liabilities. The directors have reviewed the company's working capital and cash flow requirements, along with considering that the company is part of and has the support of a wider Group of companies. The ultimate parent company, CK Asset Holdings Limited, has confirmed it will provide sufficient financial support to enable the company to meet its financial obligations as and when they fall due. COVID-19 is discussed further in the Subsequent events section below.

As a consequence of this, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least twelve months from the date when the financial statements are authorised for issue. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### **Subsequent events**

On 30 January 2020, the World Health Organisation ("WHO") announced COVID-19 to be a global health emergency. On 11 March 2020, WHO announced that COVID-19 was a global pandemic.

The announcement of the global pandemic has been treated as a non-adjusting subsequent event. This may potentially affect the impairment assessment of the indirect investment in Greene King plc in the company's 2020 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. Although COVID-19 has affected the operations of the company's investment in the integrated brewer and pub retailer business, the directors have a reasonable expectation that the Greene King group will be able to continue in operation for at least the next 12 months due to initiatives to reduce costs and cash outflows. These include the substantial payroll assistance from the UK Government Coronavirus Job Retention Scheme, funding support under the COVID Corporate Financing Facility, the reduction of discretionary spend and the suspension of all non-essential capital expenditure and new investments. 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.

The directors have not identified any other subsequent events that require disclosure up to the signing date of the financial statements.

#### **Future developments**

The expected future developments of the company are determined by the strategy of the group. There are no future developments outside of the company's current operations planned.

## **CK Steel (UK) Limited**

### **Directors' Report**

#### **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:

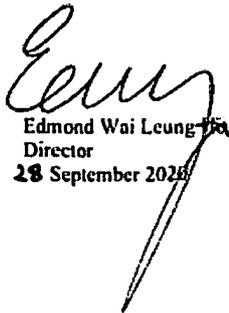
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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 been appointed as auditor for year ended 31 December 2019 and have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed to the shareholders.

Approved by the Board and signed on its behalf by:



Edmond Wai Leung  
Director  
28 September 2019

## **CK Steel (UK) 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 Financial Reporting Standard 102 ("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;
- 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.

## **CK Steel (UK) Limited**

### **Independent auditor's report to the members of CK Steel (UK) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of CK Steel (UK) Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year ended 31 December 2019;
- 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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **CK Steel (UK) Limited**

### **Independent auditor's report to the members of CK Steel (UK) Limited (continued)**

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinion 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 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 misstatement in the Directors' Report or the Strategic Report.

## **CK Steel (UK) Limited**

### **Independent auditor's report to the members of CK Steel (UK) Limited (continued)**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### **Use of our report**

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

*Philip Doherty*

Philip Doherty, FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

*29 September 2020*

## CK Steel (UK) Limited

### Profit and loss account For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £'000	Period from 5 June 2018 to 31 December 2018 £'000
Other operating income - Dividend income		35,000	-
Administrative expenses		(1,163)	(232)
<b>Profit/(loss) before taxation and interest</b>	4	<b>33,837</b>	<b>(232)</b>
Net interest payable and similar expenses	6	(26,285)	(10,858)
<b>Profit/(loss) before taxation</b>		<b>7,552</b>	<b>(11,090)</b>
Tax on profit/(loss)	7	2,076	-
<b>Profit/(loss) for the year/period and total comprehensive income/(loss)</b>		<b>9,628</b>	<b>(11,090)</b>

All results are from continuing operations. The company has one significant class of business, that of property investment in the United Kingdom.

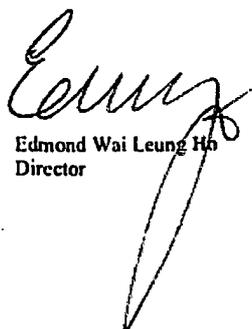
There are no recognised gains or losses other than those shown above and consequently no separate statement of comprehensive income is presented.

## CK Steel (UK) Limited

### Balance sheet As at 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
<b>Non-current assets</b>			
Investment in subsidiaries	8	3,350,481	695,962
Loan to subsidiary	9	303,681	303,681
		<u>3,654,162</u>	<u>999,643</u>
<b>Current assets</b>			
Debtors	10	2,763	6,170
Cash at bank and in hand		35	-
		<u>2,798</u>	<u>6,170</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(19,903)	(16,903)
<b>Net current liabilities</b>		<u>(17,105)</u>	<u>(10,733)</u>
<b>Total assets less current liabilities</b>		<u>3,637,057</u>	<u>988,910</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(1,950,000)</u>	<u>(850,000)</u>
<b>Total net assets</b>		<u>1,687,057</u>	<u>138,910</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	-
Share premium	13	1,704,518	150,000
Profit and loss account		(17,462)	(11,090)
<b>Total shareholder's funds</b>		<u>1,687,057</u>	<u>138,910</u>

The financial statements of CK Steel (UK) Limited (11398252) were approved by the Board of Directors and authorised for issue on 28 September 2020. They were signed on its behalf by:

  
Edmond Wai Leung Ho  
Director

## CK Steel (UK) Limited

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

		Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
<b>Balance as at 5 June 2018</b>		-	-	-	-
Shares issued on 5 June 2018 and 14 June 2018	13	-	150,000	-	150,000
Loss for the period and total comprehensive loss		-	-	(11,090)	(11,090)
<b>Balance as at 31 December 2018</b>		-	150,000	(11,090)	138,910
Shares issued during the year	13	1	1,554,518	-	1,554,519
Profit for the year and total comprehensive income		-	-	9,628	9,628
Dividends paid in the year	14	-	-	(16,000)	(16,000)
<b>Balance as at 31 December 2019</b>		<b>1</b>	<b>1,704,518</b>	<b>(17,462)</b>	<b>1,687,057</b>

## CK Steel (UK) Limited

### Notes to the financial statements

#### 1. Accounting policies

The principal accounting policies of the company, which have been applied consistently during the year and the previous period, are as follows:

##### a. General information and basis of accounting

CK Steel (UK) 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 3 More London Riverside, London, SE1 2AQ, United Kingdom. The nature of the company's operations and its principal activities are set out in the Strategic Report and the Directors' report on pages 1 to 5.

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 requirements of the Companies Act 2006. The Group has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Group.

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 FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, for financial instruments, related party transactions, remuneration of key management personnel and cash flow statement. 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.

##### b. Going concern

The Balance Sheet shows that the company has net current liabilities. The directors have reviewed the company's working capital and cash flow requirements, along with considering that the company is part of and has the support of a wider Group of companies. The ultimate parent company, CK Asset Holdings Limited, has confirmed it will provide sufficient financial support to enable the company to meet its financial obligations as and when they fall due. COVID-19 is discussed further in the Subsequent events note (note 19).

As a consequence of this the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least twelve months from the date when the financial statements are authorised for issue. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

##### c. Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. 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.

##### d. Investments in subsidiaries

Fixed asset investments are stated at the lower of cost and the underlying net asset value of the investments.

##### e. Dividend income

Dividend income from subsidiaries is recognised when legally declared and payable.

##### f. Other financial liabilities / borrowings

Other 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.

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### g. Financial assets

The group classified all financial assets into the category debtors. They are subsequently measured at amortised cost and are assessed for indicators of impairment at each balance sheet date. The accounting policy for the impairment of assets may be found below in note k.

#### h. Taxation

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. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. All financial assets and liabilities are initially measured at transaction price (including 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.

#### j. 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.

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 likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax are 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.

#### k. 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 as described below.

##### *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.

#### 2. Cash flow statement

The company, as a qualifying entity, has taken advantage of the disclosure exemption in FRS 102 paragraph 1.12 to not present a cash flow statement.

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 3. 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. There are no critical accounting judgements in the period.

The key source of estimation uncertainty relates to the carrying value of investments and whether there has been any impairment in value of these assets. In making their judgement on the carrying value of the company's investments disclosed in note 8, the directors review the valuation of the underlying property portfolio and take into consideration the prevailing implications of the holding structure of the property portfolio as well as the integrated brewer and pub retailer investments. The directors also consider each investment's capacity to settle interest obligations on shareholder loans and distribute dividends, market information where available for the different industries, the directors' own historical experience and other factors that are relevant.

#### 4. Profit/(loss) before taxation and interest

A charge of £6,000 (2018: £5,000) is deemed payable to Deloitte LLP in respect of the audit of the financial statements.

No non-audit fees were paid to Deloitte LLP.

#### 5. Staff costs

No director received any remuneration from the company for service to the company in the year (period from 5 June 2018 to 31 December 2018: £nil). The remuneration of the directors was borne by another company, for which no apportionment or recharges were made.

Average number of employees, excluding directors, of the company during the year was nil (period from 5 June 2018 to 31 December 2018: nil).

#### 6. Net interest payable and similar expenses

	Year ended 31 December 2019 £'000	Period from 5 June 2018 to 31 December 2018 £'000
Interest payable and similar expenses:		
Unsecured loan by a fellow group company	(37,248)	(16,897)
	<u>(37,248)</u>	<u>(16,897)</u>
Interest receivable and similar income:		
Unsecured loan to a fellow group company	10,963	6,039
	<u>10,963</u>	<u>6,039</u>
Net interest payable and similar expenses	<u>(26,285)</u>	<u>(10,858)</u>

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 7. Tax on loss

	Year ended 31 December 2019 £'000	Period from 5 June 2018 to 31 December 2018 £'000
<b>Current tax</b>		
Current United Kingdom corporation tax credit at 19%	(2,076)	-
<b>Tax reconciliation</b>		
Profit/(loss) before taxation	7,552	(11,090)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018 – 19%)	1,435	(2,107)
Effects of:		
Income not taxable	(6,650)	-
Losses not recognised	5,215	2,107
Recognition of previously unrecognised tax losses	(2,076)	-
<b>Total current tax credit</b>	<b>(2,076)</b>	<b>-</b>

As at 31 December 2019, the company has unrecognised tax losses of £27,614,000 (2018: £11,090,000) to carry forward against future taxable income. These tax losses have no expiry date.

The corporation tax rate in the UK currently stands at 19%. Accordingly, the company's losses for this accounting period are taxed at an effective rate of 19% (period from 5 June 2018 to 31 December 2018: 19%).

#### 8. Investment in subsidiaries

	Ordinary shares in subsidiary £'000	Total £'000
<b>At cost or underlying net asset value of investment</b>		
31 December 2018	695,962	695,962
Consideration paid for shares in subsidiary	2,654,519	2,654,519
<b>31 December 2019</b>	<b>3,350,481</b>	<b>3,350,481</b>

CK Steel (UK) Limited is the top holding company of the following group:

Name of entity	Country of incorporation	Principal activities	Ownership interest held by the group 2019 %
Bluebutton (5 Broadgate) UK Limited <sup>1</sup>	England & Wales	Property investment	100
Bluebutton Holdco 5 Broadgate (Jersey) Limited <sup>2</sup>	Jersey	Holding company	100*
4 Broadgate 2010 Limited <sup>1</sup>	England & Wales	Dormant	100
6 Broadgate 2010 Limited <sup>1</sup>	England & Wales	Dormant	100
CK Noble (Jersey) Limited <sup>2</sup>	Jersey	Holding company	100*

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 8. Investment in subsidiaries (continued)

Name of entity	Country of Incorporation	Principal activities	Ownership interest held by the group 2019 %
CK Noble (UK) Limited <sup>1</sup>	England & Wales	Holding company	100
Greene King Developments Limited <sup>3</sup>	England & Wales	Property investment	100
Greene King GP Limited <sup>3</sup>	England & Wales	Dormant	100
Greene King Investments Limited <sup>3</sup>	England & Wales	Holding company	100
Greene King Pension Scheme Limited <sup>3</sup>	England & Wales	Pension trustee	100
Greene King Properties Limited <sup>3</sup>	England & Wales	Property investment	100
Greene King Pubs Limited <sup>3</sup>	England & Wales	Property investment	100
Greene King Retailing Parent Limited <sup>3</sup>	England & Wales	Holding company	100
Morrells of Oxford Limited	England & Wales	Non-trading	100
Norman Limited <sup>4</sup>	Guernsey	Holding Company	100
Realpubs Limited <sup>3</sup>	England & Wales	Non-trading	100
Rushmere Sports Club Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Pub Company Limited <sup>3</sup>	England & Wales	Holding company	100
The Capital Pub Company Limited <sup>3</sup>	England & Wales	Holding company	100
Allied Kunick Entertainments Limited <sup>3</sup>	England & Wales	Property	100
Ashes Investments LP <sup>3</sup>	England & Wales	Financing	100
Aspect Ventures Limited <sup>3</sup>	England & Wales	Non-trading	100
AVL (Pubs) No.1 Limited <sup>3</sup>	England & Wales	Non-trading	100
AVL (Pubs) No.2 Limited <sup>3</sup>	England & Wales	Non-trading	100
Belhaven Brewery Company Limited <sup>5</sup>	Scotland	Financing	100
Belhaven Finance Limited <sup>5</sup>	Scotland	Non-trading	100
Belhaven Pubs Limited <sup>5</sup>	Scotland	Financing	100
Capital Pub Company Trading Limited <sup>3</sup>	England & Wales	Non-trading	100
Chef & Brewer Limited <sup>3</sup>	England & Wales	Non-trading	100
City Limits Limited <sup>3</sup>	England & Wales	Non-trading	100
Cleveland Place Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Cloverleaf Restaurants Limited <sup>3</sup>	England & Wales	Non-trading	100
CPH Palladium Limited <sup>3</sup>	England & Wales	Holding company	100
Dearg Limited <sup>3</sup>	England & Wales	Holding company	100

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 8. Investment in subsidiaries (continued)

Name of entity	Country of Incorporation	Principal activities	Ownership interest held by the group 2019 %
Freshwild Limited <sup>3</sup>	England & Wales	Holding company	100
G.K. Holdings No.1 Limited <sup>3</sup>	England & Wales	Holding company	100
Greene King Acquisitions (No.3) Limited <sup>3</sup>	England & Wales	Non-trading	100
Greene King Acquisitions No.2 Limited <sup>3</sup>	England & Wales	Holding company	100
Greene King Brewing and Retailing Limited <sup>3</sup>	England & Wales	Brewing and retailing	100
Greene King Leasing No.1 Limited <sup>3</sup>	England & Wales	Holding company	100
Greene King Leasing No.2 Limited <sup>3</sup>	England & Wales	Financing	100
Greene King Neighbourhood Estate Pubs Limited <sup>3</sup>	England & Wales	Financing	100
Greene King Retail Services Limited <sup>3</sup>	England & Wales	Employment	100
Greene King Retailing Limited <sup>3</sup>	England & Wales	Pub retailing	100
Greene King Services Limited <sup>3</sup>	England & Wales	Employment	100
Hardys & Hansons Limited <sup>3</sup>	England & Wales	Financing	100
Huggins and Company Limited <sup>3</sup>	England & Wales	Non-trading	100
LFR Group Limited <sup>5</sup>	Scotland	Financing	100
Mountloop Limited <sup>3</sup>	England & Wales	Non-trading	100
Narnain <sup>3</sup>	England & Wales	Holding company	100
Old English Inns Limited <sup>3</sup>	England & Wales	Financing	100
Open House Limited <sup>3</sup>	England & Wales	Non-trading	100
Premium Casual Dining Limited <sup>3</sup>	England & Wales	Non-trading	100
Premium Dining Restaurants and Pubs Limited <sup>5</sup>	Scotland	Retailing	100
R.V. Goodhew Limited <sup>3</sup>	England & Wales	Non-trading	100
Realpubs Developments Limited <sup>3</sup>	England & Wales	Financing	100
Realpubs II Limited <sup>3</sup>	England & Wales	Financing	100
Sapphire Food North East No.1 Limited <sup>3</sup>	England & Wales	Non-trading	100
Sapphire Food North West No.3 Limited <sup>3</sup>	England & Wales	Non-trading	100
Sapphire Food South East No.4 Limited <sup>3</sup>	England & Wales	Non-trading	100

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 8. Investment in subsidiaries (continued)

Name of entity	Country of Incorporation	Principal activities	Ownership Interest held by the group 2019 %
Sapphire Food South West No.2 Limited <sup>3</sup>	England & Wales	Financing	100
Sapphire Rural Destination No.5 Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit (AKE Holdings) Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit (Faith) Limited <sup>3</sup>	England & Wales	Property investment	100
Spirit (Legacy) Pension Trustee Limited <sup>3</sup>	England & Wales	Pension trustee	100
Spirit (PSC) Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit (Redwood Bidco) Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit (SGL) Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Acquisition Properties Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Acquisitions Guarantee Limited	England & Wales	Non-trading	n/a
Spirit Acquisitions Holdings Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Financial Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Finco Limited <sup>6</sup>	Cayman Islands	Non-trading	100
Spirit Funding Limited <sup>6</sup>	Cayman Islands	Non-trading	100
Spirit Group Equity Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Group Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Group Parent Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Group Pension Trustee Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Group Retail (Northampton) Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Group Retail (South) Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Group Retail Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Group Retail Pensions Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Intermediate Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Managed Funding Limited <sup>3</sup>	England & Wales	Financing	100
Spirit Managed Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Managed Inns Limited <sup>3</sup>	England & Wales	Non-trading	100
Spirit Parent Limited <sup>3</sup>	England & Wales	Holding Company	100

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 8. Investment in subsidiaries (continued)

Name of entity	Country of Incorporation	Principal activities	Ownership interest held by the group 2019 %
Spirit Pub Company (Derwent) Limited <sup>3</sup>	England & Wales	Pub retailing	100
Spirit Pub Company (Holdco) Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Pub Company (Investments) Limited <sup>3</sup>	England & Wales	Financing	100
Spirit Pub Company (Leased) Limited <sup>3</sup>	England & Wales	Leasing of public houses	100
Spirit Pub Company (Managed) Limited <sup>3</sup>	England & Wales	Pub retailing	100
Spirit Pub Company (Services) Limited <sup>3</sup>	England & Wales	Administration	100
Spirit Pub Company (SGE) Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Pub Company (Supply) Limited <sup>3</sup>	England & Wales	Procurement	100
Spirit Pub Company (Trent) Limited <sup>3</sup>	England & Wales	Pub retailing	100
Spirit Pubs Debenture Holdings Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Pubs Parent Limited <sup>3</sup>	England & Wales	Holding company	100
Spirit Retail Bidco Limited <sup>3</sup>	England & Wales	Holding company	100
Springtarn Limited <sup>3</sup>	England & Wales	Non-trading	100
The Chef & Brewer Group Limited <sup>3</sup>	England & Wales	Holding company	100
The Nice Pub Company Limited <sup>3</sup>	England & Wales	Non-trading	100
Tom Cobleigh Group Limited <sup>3</sup>	England & Wales	Non-trading	100
Tom Cobleigh Holdings Limited <sup>3</sup>	England & Wales	Non-trading	100
Tom Cobleigh Limited <sup>3</sup>	England & Wales	Dormant	100
Whitegate Taverns Limited <sup>3</sup>	England & Wales	Non-trading	100

\* Directly-held subsidiary

1 Registered office: 3 More London Riverside, London, United Kingdom, SE1 2AQ.

2 Registered office: 22 Grenville Street, St Heller, JE4 8PX, Jersey.

3 Registered office: Westgate Brewery, Bury St Edmunds, Suffolk, IP33 1QT.

4 Registered office: Hambro House, St. Julian's Avenue, St Peter Port, Guernsey, GY1 3AE.

5 Registered office: Belhaven Brewery, Brewery Lane, Dunbar, East Lothian, EH42 1PE.

6 Registered office: PO Box 309, Ugland House, Grand Cayman, KY1-1004.

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 9. Loan to subsidiary

	2019 £'000	2018 £'000
Amount owed by group undertaking	303,681	303,681

The unsecured loan was issued on 14 June 2018 to Bluebutton (5 Broadgate) UK Limited with rate of interest of 3.61% per annum with a final repayment date falling 7 years after the first drawdown date. The interest is treated as finance income and is credited to the profit and loss account over the term of the loan.

#### 10. Debtors

	2019 £'000	2018 £'000
Interest owed by group undertaking	2,763	6,039
Amounts owed by group undertakings – current accounts	-	96
VAT recoverable	-	35
	<u>2,763</u>	<u>6,170</u>

Interest owed by the indirect subsidiary undertaking is unsecured, interest free and repayable within one month. Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

#### 11. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Interest owed to group undertaking	14,297	16,898
Amounts owed to group undertakings – current accounts	5,573	-
Accrual	33	5
	<u>19,903</u>	<u>16,903</u>

Interest owed to the immediate parent undertaking is unsecured, interest free and repayable within one month.

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

#### 12. Creditors: amounts falling due after more than one year

The unsecured loan of £850,000,000 was issued on 14 June 2018 by CKA Holdings UK Limited with rate of interest of 3.61% per annum with a final repayment date falling 7 years after the first drawdown date. The interest is treated as a finance charge and is charged to the profit and loss account over the term of the loan.

The second unsecured loan of £1,100,000,000 was issued on 11 November 2019 by CKA Holdings UK Limited with rate of interest of 4.27% per annum with a final repayment date falling 10 years after the first drawdown date. The interest is treated as a finance charge and is charged to the profit and loss account over the term of the loan.

## CK Steel (UK) Limited

### Notes to the financial statements (continued)

#### 13. Called up share capital

	2019 £'000	2018 £'000
Issued share capital – allotted, called up and fully paid		
Ordinary shares at £1.00 each (nominal value) As at 31 December: 1,000 shares (2018 – 100)	1	-
Share Premium	1,704,518	150,000

On 30 October 2019 the company issued 1 share of £1 each for a total subscription price of £6,079,565.50.

On 11 November 2019 the company issued 99 shares of £1 each for a total subscription price of £1,472,022,800.50.

On 31 December 2019 the company issued 800 shares of £1 each for a total subscription price of £76,416,547.00.

#### 14. Dividends

	2019 £'000	2018 £'000
Total value of dividends	16,000	-
Dividend paid per share	£ 16,000	£ -

#### 15. Related party transactions

The company has taken advantage of the exemption contained in S33.1A of FRS 102 "Related party disclosures" from disclosing related party transactions within the group.

#### 16. Capital commitments

The company had no capital commitments contracted as at 31 December 2019.

#### 17. Contingent liabilities

The company had no contingent liabilities as at 31 December 2019.

#### 18. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is CKA Holdings UK Limited.

CK Asset Holdings Limited is the ultimate parent company, 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, Umland 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. Subsequent events

On 30 January 2020, WHO announced COVID-19 to be a global health emergency. On 11 March 2020, WHO announced that COVID-19 was a global pandemic.

The announcement of the global pandemic has been treated as a non-adjusting subsequent event. Given the uncertainty in the UK economy 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.