

Bluebutton (5 Broadgate) UK Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number: 07316457

Bluebutton (5 Broadgate) UK Limited

Annual report and financial statements

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Bluebutton (5 Broadgate) UK Limited

Strategic report

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

Principal activity and review of business

Bluebutton (5 Broadgate) UK Limited ("the company") is a wholly owned subsidiary of Bluebutton HoldCo 5 Broadgate (Jersey) Limited. The principal activity of the company is property investment in the United Kingdom.

For the year ended 31 December 2019, the company generated a profit after tax of £31,418,000 (9 months ended 31 December 2018: £20,783,000). The directors are satisfied with the level of business and year-end financial position of the company.

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 turnover for the year ended 31 December 2019 is £38,640,000 (9 months ended 31 December 2018: £28,516,000). The net finance charge for the year ended 31 December 2019 includes a finance charge of £10,963,000 (9 months ended 31 December 2018: £6,039,000) relating to an unsecured loan from a fellow group company. Profit before taxation for the year ended 31 December 2019 amounted to £37,728,000 (9 months ended 31 December 2018: £23,961,000).

Dividends of £35,033,000 (9 months ended 31 December 2018: £10,000,000) were declared and paid in the year.

The balance sheet on page 11 shows the company's financial position at the balance sheet date with net assets of £659,129,000 compared to £662,744,000 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.

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.

Bluebutton (5 Broadgate) UK Limited

Strategic report

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 property investment holding company with regard to safety and customer satisfaction. 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 currently have any employees, and 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, customers and other key stakeholders to ensure this is to the benefit of all parties. All contracts with suppliers and service providers, as well as rental leases, rent review memoranda and deeds of variations with customers 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, customers 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.

In the current financial year the company has continued to engage with customers and key stakeholders to consider new proposals and the potential impact and benefits of the customer and the local communities. Some of these findings have fed into the company's business plan for the next five years.

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.

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

The company is a wholly-owned subsidiary company of Bluebutton HoldCo 5 Broadgate (Jersey) 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.

Bluebutton (5 Broadgate) UK Limited

Strategic report

Principal risks and uncertainties

The company is part of a large property investment group. As such, the fundamental underlying risks for this company are those of 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:

- 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 director's 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
23 September 2020

Bluebutton (5 Broadgate) UK Limited

Directors' report

The directors present their Annual Report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2019. Details of principal risks and uncertainties, review of business, results and dividends and KPIs can be found in the Strategic Report on page 1.

Directors

The following held office as directors during the year to 31 December 2019 and up to the date of signing the financial statements:

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 assets. The directors have reviewed the company's working capital and cash flow requirements and do not currently anticipate material disruption or impact to business arising from COVID-19, particularly as the tenant continues to pay rent on time and there are also no covenants relating to the investment property value in the shareholder loan. COVID-19 is discussed further in the Subsequent events section below.

As a consequence, 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. 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 particularly as the tenant continues to pay rent on time, there are also no covenants relating to the investment property value in the shareholder loan.

On 20 August 2020, the company declared and paid dividends of £13,830,000.

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

Future developments

Due to the long term nature of the leases, the company will continue to lease the property to the current tenant.

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.

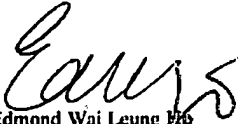
Bluebutton (5 Broadgate) UK Limited

Directors' report

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 shareholders.

Approved by the Board and signed on its behalf by:



Edmond Wai Leung
Director
28 September 2020

Bluebutton (5 Broadgate) 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 the 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 101 ("FRS 101") "Reduced Disclosures Framework". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Bluebutton (5 Broadgate) UK Limited

Independent auditor's report to the members of Bluebutton (5 Broadgate) UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bluebutton (5 Broadgate) 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 to 31 December 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosures Framework"; 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 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosures Framework" (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.

Bluebuton (5 Broadgate) UK Limited

Independent auditor's report to the members of Bluebuton (5 Broadgate) 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. 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 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 misstatement in the Strategic Report or the Directors' Report.

Bluebutton (5 Broadgate) UK Limited

Independent auditor's report to the members of Bluebutton (5 Broadgate) 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

Bluebutton (5 Broadgate) UK Limited

Profit and loss account For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £'000	9 months ended 31 December 2018 £'000
Turnover	4	38,640	28,516
Cost of sales		(26)	(153)
		<u>38,614</u>	<u>28,363</u>
Administrative expenses		(110)	(501)
		<u>38,504</u>	<u>27,862</u>
Operating profit			
Impairment of fair value of investment	10	-	(3)
Revaluation of investment properties	9	10,128	2,137
		<u>48,632</u>	<u>29,996</u>
Profit before taxation and interest			
Interest payable and similar expenses	7	(10,963)	(6,039)
Interest receivable and similar income	7	59	4
		<u>37,728</u>	<u>23,961</u>
Profit before taxation	5		
Tax on profit	8	(6,310)	(3,178)
Profit for the financial year/period and total comprehensive income		<u>31,418</u>	<u>20,783</u>

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.

Bluebutton (5 Broadgate) UK Limited

Balance sheet As at 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Investment properties	9	960,000	953,275
Investments	10	18	18
		<u>960,018</u>	<u>953,293</u>
Current assets			
Debtors	11	5,686	155
Cash at bank and in hand		14,230	35,825
		<u>19,916</u>	<u>35,980</u>
Current liabilities			
Creditors: amounts falling due within one year	12	(14,848)	(22,497)
		<u>5,068</u>	<u>13,483</u>
Net current assets		<u>965,086</u>	<u>966,776</u>
Total assets less current liabilities		<u>965,086</u>	<u>966,776</u>
Creditors: amount falling due after more than one year	13	(305,957)	(304,032)
Net assets		<u>659,129</u>	<u>662,744</u>
Capital and reserves			
Called up share capital	14	235,719	235,719
Profit and loss account		423,410	427,025
Total shareholder's funds		<u>659,129</u>	<u>662,744</u>

The financial statements of Bluebutton (5 Broadgate) UK Limited (07316457) 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

Bluebutton (5 Broadgate) UK Limited

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

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 April 2018		235,719	416,242	651,961
Profit for the period and total comprehensive income		-	20,783	20,783
Dividends payable in the period	15	-	(10,000)	(10,000)
Balance as at 31 December 2018		235,719	427,025	662,744
Profit for the year and total comprehensive income		-	31,418	31,418
Dividends payable in the year	15	-	(35,033)	(35,033)
Balance as at 31 December 2019		235,719	423,410	659,129

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements

1. Accounting policies

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

a. General information and basis of accounting

Bluebutton (5 Broadgate) UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and 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 on a going concern basis under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council and the requirements of 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.

In preparation of these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are separate financial statements. The company is consolidated in the financial statements of its ultimate parent undertaking and controlling party, CK Asset Holdings Limited.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 7 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective;
- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments; The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs;
- (i) The requirements of IAS 36 in relation to cash generating units which contain goodwill or an intangible asset with an indefinite useful life; and
- (j) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosures requirements are met in the consolidated financial statement. Where required equivalent disclosures are given in the group accounts of the CK Asset Holdings Limited. The group accounts of CK Asset Holdings Limited are available to the public and can be obtained as set out in note 19.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its Group.

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. Based on the company's assessment, their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

In the current year, the company has applied a number of amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2018. These include IFRIC 23, Annual improvements to IFRS Standards 2015-2017 Cycle, amendments to IAS 19 and 28, and amendments to IFRS 9. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

b. Going concern

The Balance Sheet shows that the company has net current assets. The directors have reviewed the company's working capital and cash flow requirements and do not currently anticipate material disruption or impact to business arising from COVID-19, particularly as the tenant continues to pay rent on time and there are also no covenants relating to the investment property value in the shareholder loan. COVID-19 is discussed further in the Subsequent events note (note 20).

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. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any surplus or deficit arising on revaluing investment properties is recognised in the Profit and Loss account.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

d. 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.

e. Investments

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

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.

g. Financial assets

The company 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 company always recognises lifetime expected credit losses and updates the allowance at each reporting date to reflect changes in credit risk since initial recognition. The expected credit losses on these debtors are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

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.

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

j. Net rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease in which the tenant is allowed quiet enjoyment of the rental property. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure that the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiation and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

k. Impairment of non-financial assets

Non-financial 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:

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. Critical accounting judgements

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. There are no critical accounting judgements in the year.

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

3. Key sources of estimation uncertainty

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 key source of estimation uncertainty relates to the carrying value of investments and the valuation of the property portfolio and investments, where an external valuation that is in accordance with RICS valuation – global standards of 2017 is obtained. The key estimates include the market rent and yield of comparable properties in nearby locations

4. Turnover

	Year ended 31 December 2019 £'000	9 months ended 31 December 2018 £'000
Rental income (all rental income is earned in the United Kingdom)	38,640	28,516

5. Profit before taxation

A charge of £24,000 (9 months ended 31 December 2018: £23,000) is deemed payable to Deloitte LLP in respect of the audit of the financial statements.

No non-audit fees were paid to Deloitte LLP (9 months ended 31 December 2018: £nil).

6. Staff costs

No director received any remuneration from the company for service to the company in the year (9 months ended 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 (9 months ended 31 December 2018: nil).

7. Net interest payable and similar expenses

	Year ended 31 December 2019 £'000	9 months ended 31 December 2018 £'000
Interest payable and similar expenses:		
Interest on unsecured loan from a fellow group company	(10,963)	(6,039)
	(10,963)	(6,039)
Interest receivable and similar income:		
Interest on cash and cash equivalents	59	4
	59	4
Net interest payable and similar expenses	(10,904)	(6,035)

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

8. Tax on profit

	Year ended 31 December 2019 £'000	9 months ended 31 December 2018 £'000
Current Tax:		
Current year	5,244	2,827
Adjustment in respect of prior years	(858)	-
	<hr/> 4,386	<hr/> 2,827
Deferred tax	<hr/> 1,924	<hr/> 351
UK corporation tax	<hr/> 6,310	<hr/> 3,178
Tax reconciliation		
Profit before taxation	<hr/> 37,728	<hr/> 23,961
Current United Kingdom corporation tax at 19% (9 months ended 31 December 2018: 19%)	7,168	4,552
Effects of:		
REIT exempt income and gains and capital allowances	-	(1,321)
Increase in fair value of investment property	-	(55)
Expenses not deductible for tax purposes	-	2
Release of overprovided prior year tax	(858)	-
	<hr/> 6,310	<hr/> 3,178
Total tax charge	<hr/> 6,310	<hr/> 3,178
Deferred tax		
Post-REIT increase in fair value of investment property recognised for deferred tax calculation	10,128	1,848
	<hr/> 1,924	<hr/> 351
Deferred tax charge recognised at 19% (9 months ended 31 December 2018: 19%)	<hr/> 1,924	<hr/> 351

The corporation tax rate in the UK during the year remained at 19% (9 months ended 31 December 2018: 19%). Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19% (9 months ended 31 December 2018: 19%).

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

9. Investment properties

	£'000
At valuation	
1 January 2019	953,275
Additions	
Lease incentives and rent review receivables	(3,403)
Revaluation of investment properties	10,128
31 December 2019	960,000
1 April 2018	953,275
Additions	381
Lease incentives and rent review receivables	(2,518)
Revaluation of investment properties	2,137
31 December 2018	953,275
Analysis of cost and valuation	
31 December 2019	
Cost	534,879
Revaluation	425,121
Net book value	960,000
31 December 2018	
Cost	534,879
Revaluation	418,396
Net book value	953,275

At 31 December 2019, the book value of freehold investment properties owned by the company was £960,000,000 (31 December 2018: £953,275,000).

Investment properties are valued by adopting the "investment method" of valuation. This approach involves applying capitalisation yield to current and estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Properties were valued as at 31 December 2019 by Colliers International Valuation UK LLP on the basis of Market Value, in accordance with the RICS Valuation – Professional Standards 204, Ninth Edition, published by The Royal Institution of Chartered Surveyors.

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

9. Investment properties (continued)

The company leases out all of its investment properties under operating leases with lease terms of 20 years, with a 15 year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which is in a location that has constantly increased in value over the last 5 years. The Company did not identify any indications that this situation will change.

Maturity analysis of operating lease payments:

	31 December 2019 £'000	31 December 2018 £'000
Year 1	42,557	40,198
Year 2	42,557	40,225
Year 3	42,557	40,226
Year 4	42,557	40,226
Year 5	42,557	40,226
Year 6 and onwards	368,293	387,497
Total	581,078	588,598

10. Investments

	Ordinary shares in subsidiaries £'000	Participating interest £'000	Total £'000
Investments at cost			
1 January 2019	258,215	4	258,219
31 December 2019	258,215	4	258,219
Provision for underlying net asset change			
1 January 2019	(258,198)	(3)	(258,201)
Impairment of fair value of investment during the year	-	-	-
31 December 2019	(258,198)	(3)	(258,201)
Net value			
1 January 2019	17	1	18
31 December 2019	17	1	18
Investments at cost			
1 April 2018	258,215	4	258,219
31 December 2018	258,215	4	258,219

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

10. Investments (continued)

Provision for underlying net asset change			
1 April 2018	(258,198)	-	(258,198)
Impairment of fair value of investment during the period	-	(3)	(3)
31 December 2018	(258,198)	(3)	(258,201)
Net value			
1 April 2018	17	4	21
31 December 2018	17	1	18

The company has investments in the following subsidiaries, unless noted otherwise the registered address of each company is 3 More London Riverside, London SE1 2AQ, United Kingdom. The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its Group.

Subsidiary:	Principal activity	Interest	Country
4 Broadgate 2010 Limited	Non-trading	100%	United Kingdom
6 Broadgate 2010 Limited	Non-trading	100%	United Kingdom

The company holds a participating interest in Broadgate South Management Limited ("BSML", formerly Broadgate Circle Management Limited), a company that is engaged in estate management and the provision of property services in the United Kingdom. On 7 June 2018, BSML underwent a share capital reduction exercise which resulted in its existing 50,000 ordinary shares of £1 each, being reduced to 9 shares of £1 each. At the same time, the company's interest in BSML reduced from 17,595 shares of £1 each (25 pence paid) to 1 ordinary share of £1 (fully paid up), and an impairment of £3,010 was recognised in the 9 month period ended 31 December 2018.

11. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed by group undertakings – current accounts	5,394	-
Other taxation and social security	292	155
	5,686	155

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

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

12. Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Interest owed to group undertaking	2,763	6,039
Amount owed to group undertaking – current accounts	51	3,486
Accruals and deferred income	9,821	9,479
Other taxation and social security	2,213	1,608
Corporation tax	-	1,885
	<u>14,848</u>	<u>22,497</u>

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

13. Creditors: amount falling due after more than one year

	31 December 2019 £'000	31 December 2018 £'000
Amount owed to group undertaking – shareholder's loan	303,681	303,681
Deferred tax liabilities	2,276	351
	<u>305,957</u>	<u>304,032</u>

The amount owed to group undertaking is an unsecured loan from CK Steel (UK) Limited with rate of interest of 3.61% per annum with a final repayment date falling 7 years after the first drawdown date.

Movements in the provision for deferred tax liabilities arise from the change in the fair value of the investment property in the period.

14. Called up share capital

	31 December 2019 £'000	31 December 2018 £'000
Issued share capital – allotted, called up and fully paid		
Ordinary shares at £1.00 each		
As at 31 December 2019 and 31 December 2018: 235,718,934 shares	<u>235,719</u>	<u>235,719</u>

Bluebutton (5 Broadgate) UK Limited

Notes to the financial statements (continued)

15. Dividends

	Year ended 31 December 2019 £'000	9 months ended 31 December 2018 £'000
Total value of dividends declared and paid	35,033	10,000
Dividend paid per share	£ 0.15	£ 0.04

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. Related parties

The company has taken advantage of the exemption set out in paragraph 8(k) of FRS 101 from disclosing related party transactions within the group.

19. Immediate and ultimate parent undertaking

The immediate parent company is Bluebutton HoldCo 5 Broadgate (Jersey) 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, Ugland 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.

20. Subsequent events

On 30 January 2020, WHO announced that 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. The directors do not currently anticipate material disruption or impact to business arising from COVID-19, particularly as the tenant continues to pay rent on time, there are also no covenants relating to the investment property value in the shareholder loan.

On 20 August 2020, the company declared and paid dividends of £13,830,000.