Knight Dragon Investments Limited

Annual report and financial statements

Registered number 6231628

For the year ended 31 March 2019

Annual report and financial statements

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Group strategic report

Business review

In September 2015 the Group received planning consent for a revised masterplan planning application covering areas of the Peninsula for which detailed planning consent had not already been granted. As a result, the overall area consented for development increased from 14 million sq ft to 17 million sq ft. The consented number of residential units within this area increased from 10,010 to 15,720.

Under principal agreements with the Greater London Authority ("GLA"), a Group subsidiary company, Knight Dragon Developments Limited ("KDDL"), has been granted land management rights to 147 acres of Greenwich Peninsula (excluding The O_2 and surrounding areas). KDDL's principal role is as master planner for the site. It is also obliged under the various agreements to design, programme and deliver the requisite infrastructure services for the effective and efficient delivery of development projects. It is able to manage this infrastructure investment by drawing down plots for direct development or sale to coincide with demand.

During the year to 31 March 2019, the Group's investment entities were involved in the following activities:

- KDDL continued in its role as master developer of Greenwich Peninsula. KDDL's main roles in the year have been master planning, design development, seeking and obtaining planning permissions, marketing for sale certain development plots within the site and the design and construction of site infrastructure.
- KDDL worked on the first section of the London's first riverside linear park, *The Tide*. The first 1km section opened to the public in July 2019 with development of the remaining 4km to be completed in phases.
- Knight Dragon (N0205) Limited reached practical completion on Buildings 1 and 2 Upper Riverside. This development comprises 324 private units as well as 140 affordable and intermediate units which were sold to the registered provider, London & Quadrant.
- Knight Dragon N0206 Limited continued development of Buildings 3, 4 and 5 Upper Riverside. This will comprise 543 residential units and 3 commercial units across the three buildings. Completion is expected towards the end of 2019 and first quarter of 2020.
- Construction commenced on the Design District, a new creative destination comprising 16 buildings by eight separate architectural practices, with completion planned for 2020. Whilst the construction is ongoing, five light industrial units on Tunnel Avenue were refurbished to become the new Design District incubator.
- Planning permission was granted and construction started on *Magazine London*, a new semi-permanent events space at Meridian Quays. The events space will comprise over 34,000 sq ft of interior space for up to 3,000 people in addition to large exterior space increasing capacity to 7,000 people.

As the Group's principal activities are the development and sale of property, primarily residential accommodation, its future trading performance is largely dependent on the London residential property market. Since the EU Referendum in June 2016 and the subsequent General Election, there has been some uncertainty in the market and demand, whilst steady, has slowed a little. However, the fundamental imbalance of supply and demand remains and, as it is involved in a long-term regeneration project, the Group continues to take a confident long-term view of the London market and currently does not envisage any material changes to its development strategy.

The Group's future profitability is also partly dependent on property construction and development costs. These costs are subject to fluctuations in the commodity and labour markets and in interest and inflation rates.

The Group's loss of £11,002,412 (2018: £2,384,510) for the financial year is largely as a result of two items. Firstly, marketing costs are expensed to the statement of comprehensive income as incurred whereas the associated project revenues will generally be recognised in future years. Secondly, net finance costs of £6,077,823 (2018: £2,930,364) include shareholder loan interest of £5,268,830 (2018: £2,207,174). Following a £170,000,000 repayment of shareholder loans and corresponding increase in share capital in March 2019, shareholder loan interest is expected to reduce in future accounting years.

In the opinion of the directors, the Group remains well-positioned ultimately to generate satisfactory profits from its business activities.

Group strategic report *(continued)*

Key performance indicators

The Group considers the following key performance indicators in analysing the business's performance.

During the year, the construction of 464 new residential units was completed (2018: 295 units). At the year end, a further 543 new residential units were under construction (2018: 1,007 units).

Revenue amounting to £150,197,623 (2018: £167,456,713) decreased by 10% year on year which reflects the profile of development activity with Buildings 1 and 2 Upper Riverside reaching completion approximately three months before 31 March 2019 and no revenue from the sale of land options during the year.

Net assets of the Group at 31 March 2019 were £219,818,037 (2018: £60,820,449).

Future developments

Future developments of the Group include the completion and occupancy of the new Design District, which is expected to open in 2020, and the completion of *Magazine London* which will begin to host events from the final quarter of 2019. The Group is carrying out initial planning and design for the development of a new residential building in 2020.

The Group will continue to review development opportunities on the Peninsula so that development is commenced and completed in appropriate market conditions.

Risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act are set out in note 19 of the notes to the financial statements.

Significant judgements, estimates and assumptions made by the Board are also disclosed in note 1 of the financial statements.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include the safe disposal of construction waste and recycling.

On behalf of the board

S Lee
Director

Level 9, 6 Mitre Passage
Greenwich Peninsula
London, SE10 0ER
2 August 2019

Directors' report

The directors present the directors' report and financial statements for the year ended 31 March 2019.

Principal activities

Knight Dragon Investments Limited (the "Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Level 9, 6 Mitre Passage, Greenwich Peninsula, London, SE10 0ER. The consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies".)

Its principal activity is the investment in property development entities.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: £nil).

Going concern

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis for the reasons set out in note 1 in the accounting policies.

Information included in the strategic report

In accordance with s414C(11) of the Companies Act 2006, information relating to future developments and risks and uncertainties facing the Group have been included within the strategic report.

Directors and directors' interests

The directors who held office during the year were as follows:

D Heininger
S Lee
P Voit
J Rann
R Margree
P Elliott
P Tsang

None of the directors who held office at the end of the financial year had any disclosable interest in group undertakings as recorded in the register of directors' interests. No other directors served during the year.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors or employees of the Company or of any associated company.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and therefore continue in office.

Directors' report *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the group and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

On behalf of the board

R Margree
Director

Level 9, 6 Mitre Passage
Greenwich Peninsula
London, SE10 0ER
2 August 2019

Independent auditor's report to the members of Knight Dragon Investments Limited

Opinion

We have audited the financial statements of Knight Dragon Investments Limited ("the company") for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company statements of cash flows, and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the net realisable value of inventory and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of Knight Dragon Investments Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

H Todd

Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
02 August 2019

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Notes	2019	2018
		£	£
Revenue	2	**150,197,623**	167,456,713
Cost of sales		**(148,447,176)**	(156,211,331)
Gross profit		**1,750,447**	11,245,382
Other income		**1,950,240**	1,245,764
Selling expenses		**(4,924,766)**	(4,244,145)
Administrative expenses	4	**(4,137,010)**	(4,408,702)
Operating (loss) / profit before tax		**(5,361,089)**	3,838,299
Net finance expense	5	**(6,077,823)**	(2,930,364)
(Loss) / Profit before tax		**(11,438,912)**	907,935
Taxation	6	**436,500**	(3,292,445)
Total comprehensive loss for the year		**(11,002,412)**	(2,384,510)

The amounts reported in the consolidated statement of comprehensive income relate to continuing operations.

Statement of financial position
at 31 March 2019

	Notes	**Group 2019 £**	Group 2018 £	**Company 2019 £**	Company 2018 £
Non-current assets					
Investments in subsidiaries	7	-	-	**39,567,428**	27,567,533
Investment properties	7	**13,292,317**	8,987,317	-	-
Property, plant and equipment	8	**40,944,256**	40,845,413	-	-
Amounts due from related entities	9	-	-	**589,358,649**	504,500,667
Deferred tax assets	10	**1,299,658**	1,563,067	-	-
Total non-current assets		**55,536,231**	51,395,797	**628,926,077**	532,068,200
Current assets					
Inventories	11	**843,088,287**	737,504,841	-	-
Trade and other receivables	12	**63,103,901**	30,743,032	**22,899,571**	19,121,725
Contract assets	2	**2,894,280**	-	-	-
Cash at bank and in hand	13	**17,195,330**	76,718,016	**13,389,722**	69,813,181
Restricted cash at bank	13	**2,976,978**	-	-	-
Total current assets		**929,258,776**	844,965,889	**36,289,293**	88,934,906
Total assets		**984,795,007**	896,361,686	**665,215,370**	621,003,106
Current liabilities					
Trade and other payables	14	**(20,690,871)**	(14,475,969)	**(11,037,087)**	(82,288)
Deferred income	15	**(140,000)**	(8,744,223)	-	-
Contract liabilities	2	**(4,070,311)**	-	-	-
Provisions	16	**(10,969,925)**	(5,227,903)	-	-
Other interest-bearing loans and borrowings	17	**(172,640,701)**	(107,032,635)	-	-
Total current liabilities		**(208,511,808)**	(135,480,730)	**(11,037,087)**	(82,288)
Net current assets		**720,746,968**	709,485,159	**25,252,206**	88,852,618
Non-current liabilities					
Deferred income	15	**(6,545,000)**	(6,685,000)	-	-
Other interest-bearing loans and borrowings	17	**(549,920,162)**	(693,375,507)	**(399,704,565)**	(533,956,187)
Total non-current liabilities		**(556,465,162)**	(700,060,507)	**(399,704,565)**	(533,956,187)
Total liabilities		**(764,976,970)**	(835,541,237)	**(410,741,652)**	(534,038,475)
Net Assets		**219,818,037**	60,820,449	**254,473,718**	86,964,631
Equity					
Ordinary shares	18	**12,182**	4,218	**12,182**	4,218
Retained earnings		**(23,270,778)**	(12,268,366)	**10,913,304**	13,404,217
Share premium		**243,076,633**	73,084,597	**243,548,232**	73,556,196
Total equity		**219,818,037**	60,820,449	**254,473,718**	86,964,631

These financial statements were approved by the board of directors on 2 August 2019 and were signed on its behalf by:

J Rann
Director
Registered number 6231628
Notes on pages 12 to 37 form part of the financial statements

Statement of changes in equity
for the year ended 31 March 2019

Group	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total Equity**
	£	**£**	**£**	**£**
Balance at 1 April 2017	4,218	73,084,597	(9,883,856)	**63,204,959**
Total comprehensive loss for the year				
Loss for the year	-	-	(2,384,510)	**(2,384,510)**
Balance at 31 March 2018	**4,218**	**73,084,597**	**(12,268,366)**	**60,820,449**
Balance at 1 April 2018	4,218	73,084,597	(12,268,366)	**60,820,449**
Total comprehensive loss for the year				
Loss for the year	-	-	(11,002,412)	**(11,002,412)**
Share capital issued	7,964	169,992,036	-	**170,000,000**
Balance at 31 March 2019	**12,182**	**243,076,633**	**(23,270,778)**	**219,818,037**

Company	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total Equity**
	£	**£**	**£**	**£**
Balance at 1 April 2017	4,218	73,556,196	2,308,563	**75,868,977**
Total comprehensive income for the year				
Profit for the year	-	-	11,095,654	**11,095,654**
Balance at 31 March 2018	**4,218**	**73,556,196**	**13,404,217**	**86,964,631**
Balance at 1 April 2018	4,218	73,556,196	13,404,217	**86,964,631**
Total comprehensive loss for the year				
Loss for the year	-	-	(2,490,913)	**(2,490,913)**
Share capital issued	7,964	169,992,036	-	**170,000,000**
Balance at 31 March 2019	**12,182**	**243,548,232**	**10,913,304**	**254,473,718**

Notes on pages 12 to 37 form part of the financial statements

Statement of cash flows

for the year ended 31 March 2019

	Group 2019	Group 2018	**Company 2019**	Company 2018
Cash flows from operating activities				
(Loss) / Profit before taxation	**(11,438,912)**	907,935	**(2,556,441)**	11,095,654
Adjustments for:				
Net finance expense	**6,106,639**	2,930,364	**27,134,390**	(5,817,283)
Depreciation	**1,470,019**	1,365,978	**-**	-
Gain on reclassification of inventory to investment property	**(1,379,736)**	-	**-**	-
Operating cash flows before movements in working capital	**(5,241,990)**	5,204,277	**24,577,949**	5,278,371
Adjustments for working capital movements				
(Increase) / decrease in trade and other receivables and contract assets	**(17,645,823)**	3,318,519	**(2,936,098)**	(13,633,090)
Increase in inventories	**(75,728,990)**	(130,953,490)	**-**	-
Increase / (decrease) in trade and other payables, deferred income, provisions and contract liabilities	**9,306,347**	(17,273,807)	**11,020,434**	(5,445,427)
Net cash (used in) / generated from operations	**(89,310,456)**	(139,704,501)	**32,662,285**	(13,800,146)
Taxation paid	**(2,953,953)**	-	**(840,000)**	-
Net cash (used in) / generated from operating activities	**(92,264,409)**	(139,704,501)	**31,822,285**	(13,800,146)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(1,568,862)**	(6,668,736)	**-**	-
Placement of restricted bank deposits	**(2,976,978)**	-	**-**	-
Advances to subsidiary companies	**-**	-	**(84,859,732)**	(12,970,249)
Acquisition of additional interest in subsidiaries	**-**	-	**(12,000,000)**	(3,996,710)
Interest received	**110,778**	49,314	**103,230**	5,817,283
Net cash used in investing activities	**(4,435,062)**	(6,619,422)	**(96,756,502)**	(11,149,676)
Cash flows from financing activities				
Proceeds from shareholder loans	**11,896,664**	478,996,075	**11,898,505**	87,546,999
Repayments of shareholder loans	**(173,375,000)**	(394,688,468)	**(173,375,000)**	(3,251,391)
Proceeds from third party loans	**159,755,800**	184,409,242	**-**	-
Repayments of third party loans	**(126,097,633)**	(56,607,000)	**-**	-
Finance costs paid	**(5,003,046)**	(2,979,678)	**(12,747)**	-
Share capital issued	**170,000,000**	-	**170,000,000**	-
Net cash generated from financing activities	**37,176,785**	209,130,171	**8,510,758**	84,295,608
Net (decrease) / increase in cash and cash equivalents	**(59,522,686)**	62,806,248	**(56,423,459)**	59,345,786
Cash and cash equivalents at 1 April	**76,718,016**	13,911,768	**69,813,181**	10,467,395
Cash and cash equivalents at 31 March	**17,195,330**	76,718,016	**13,389,722**	69,813,181

Reconciliation of liabilities arising from financing activities

	Group 2018 £	Cash Flows £	Non-cash changes £	**Group 2019 £**
Shareholder loans	533,958,027	(161,478,336)	27,224,874	**399,704,565**
Third party loans	266,450,115	33,658,167	22,748,016	**322,856,298**
	800,408,142	(127,820,169)	49,972,890	**722,560,863**

Non-cash changes on shareholder loans relate to capitalised interest charges.

Non-cash changes on third party loans relate to capitalised interest charges and loans drawn down but not received as at 31 March 2019.

Notes to the financial statements

1. Accounting policies

Knight Dragon Investments Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in England and Wales in the United Kingdom.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and Company's financial statements.

Basis of preparation

The Group and Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") ("Adopted IFRSs").

These financial statements are presented in GBP Sterling, which is the currency of the primary economic environment in which the Group operates.

This is the first set of the Group's annual financial statements in which *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* have been applied. Changes to significant accounting policies are described on page 13.

Measurement convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of investment properties, certain financial assets and financial liabilities (including financial assets at fair value through profit or loss), which have been measured at fair value.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. As noted in the strategic report the Group is carrying out a long term project to regenerate Greenwich Peninsula that mainly comprises the delivery of residential and commercial buildings which will be developed and sold over a number of years. Whilst the Group made a loss for the year it has made substantial progress with this long term development project. As noted, the loss was due to marketing costs which are recognised as incurred before the associated revenue is recognised and finance costs on shareholder loans which have, in part, now been repaid by the Group. The Group has prepared cash flow forecasts for the 24 months ending 31 March 2021 which indicate that, based on current forecasts, the Group will be satisfactorily cash generative going forward. This includes the repayment of £172,640,701 of external loans in the next 12 months. The Group and Company are dependent for its working capital on funds provided by its immediate parent company Knight Dragon Limited. Knight Dragon Limited has indicated its intention not to seek repayment of the amounts due and, should the need arise, to provide necessary funding for the continuing operations of the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities when they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements *(continued)*

Significant judgements, estimates and assumptions

The preparation of financial statements under IFRSs requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenue and expense during the reporting year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making

judgements that are not readily apparent from other sources. However, the 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 year 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.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when each identified performance obligation is satisfied, control has passed to the customer and the Group has a right to receive payment.

Net realisable value of Inventory
The valuation of net realisable value of inventory constitutes the main area of judgement exercised by the Board in respect of the results. Inventory is stated at the lower of cost and net realisable value. In relation to the net realisable value, the Board has made use of a financial model to appraise the project. The key assumptions relate to the timing of future income streams, anticipated development costs, residential values, price and cost inflation, the market absorption rate and the discount rate. The financial statements are prepared on the historical cost basis.

Changes in significant accounting policies
The Group has initially applied IFRS 15 and IFRS 9 for the financial reporting period commencing 1 April 2018. A number of other new standards are also effective from the financial reporting period commencing 1 April 2018, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the following:
(a) Reclassification of certain elements of deferred income to contract liabilities (IFRS 15)
(b) An increase in impairment losses recognised on financial assets (IFRS 9)

<u>IFRS 15 Revenue from Contracts with Customers</u>
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for the year ended 31 March 2018 has not been restated. Additionally, the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

There was no material impact on the statement of comprehensive income, statement of cash flows or statement of changes in equity for the year ended 31 March 2018 on transition to IFRS 15 on 1 April 2018.

IFRS 15 did not have a material impact on the timing of revenue recognition compared to the Group's existing accounting policies in accordance with IAS 18.

Notes to the financial statements *(continued)*

IFRS 9 Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, consequential amendments were made to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented as a separate line item in the consolidated statement of comprehensive income. Impairment losses on financial assets are not considered to be material to necessitate separate disclosure and are included within administrative expenses in the consolidated statement of comprehensive income.

The Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures relating to 2019 but generally have not been applied to comparative information for the year ended 31 March 2018.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to classification of financial assets and financial liabilities.

The effect of adoption IFRS 9 on the carrying amounts of financial assets relates solely to the new expected credit loss requirements of IFRS 9 (5.5). IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured as amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under IAS 39, the Group's accounting policy was to recognise an impairment of financial assets based on an incurred loss model. On transition to IFRS 9, the Group's accounting policy is to recognise impairment of financial assets based on expected losses, which, in the case of trade receivables, contract assets and lease receivables is equal to lifetime expected credit losses.

There was no material impact on the consolidated statement of comprehensive income, statement of cash flows, statement of changes in equity for the year ended 31 March 2018 or the statement of financial position as at 31 March 2018 on transition to IFRS 9 on 1 April 2018.

Additional information about how the Group measures the allowance for impairment is described in note 19.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that the Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Revenue

Revenue is recognised as and when services and performance obligations are satisfied. Further information regarding the Group's revenue recognition policies is included in note 2.

Notes to the financial statements *(continued)*

Cost of sales

Cost of sales related to the costs of the development of residential properties
Development costs are initially recognised as work in progress (classified as inventories) and are subsequently recognised in the statement of comprehensive income at the time of the related property sale.

Cost of sales related to services rendered
Cost of sales related to services rendered during the reporting period and are expensed as incurred.

Expenses

Financing income and expenses
Financing expenses comprise interest payable, finance charges on shares classified as liabilities, finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the consolidated statement of comprehensive income on the date the entity's right to receive payments is established.

Defined contribution pension plans

The Group operates a defined contribution pension plan for its employees. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are capitalised into inventories, inventories being a qualifying asset as there is a long period before the asset is available for sale.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements *(continued)*

Business combinations

The Group accounts for acquisition of inventories-owning vehicles as asset purchases, rather than business combinations under IFRS 3 Business combinations. Should the Group acquire a business which would include personnel making strategic decisions in respect of the acquiree's inventories, then IFRS 3 would be applied.

Investment property

Investment property is initially measured at cost, including transaction costs. After initial recognition, investment property will be re-measured at fair value. Gains or losses arising from changes in the fair value of investment property will be included in net profit or loss for the period in which they arise.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each date of statement of financial position. Depreciation rates used by the group are disclosed in note 8.

Depreciation is charged to the consolidated statement of comprehensive income once those assets are completed. Assets completed during the year include temporary energy centres, the main energy centre, heat network and heat interface units ("HIUs"). In addition, furniture and fittings and IT assets have been acquired during the year. The remaining property, plant and equipment balance is made up of assets under construction and is therefore not yet depreciated.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Inventories include capitalised interest costs. Interest is capitalised in the development plots at 3 month London Interbank Offered Rate ("Libor") + 5% per annum and at 3 month Libor + 2% per annum. These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

The recoverable amount of each plot is assessed in each financial year and a provision for diminution in value is made by the Board where cost (including costs to complete) exceeds net realisable value. In determining the recoverable amount, the Board has regard to independent market conditions affecting each plot and the underlying strategy for sale.

Inventories include costs incurred by the Group (including capitalised interest) associated with land sold to third parties. It is held as work in progress until all obligations have been substantively fulfilled by the Group at which point they will be transferred to the consolidated statement of comprehensive income.

Total costs allocated to each site will include those directly attributable to that site as well as costs associated with the Group's entire Greenwich Peninsula site (including estimates of future outlays), allocated on a square foot basis.

There is significant judgement involved in the valuation of work in progress, classified under inventories, in determining the assumptions used for the current sales values and build costs and future sales and cost inflation. The assessment of the valuation is very sensitive to these assumptions.

Taking the above into account and their own assessment of the carrying value of work in progress, the directors believe it to be correctly valued at the lower of cost and net realisable value.

Notes to the financial statements *(continued)*

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Financial assets consist of trade and other receivables which are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Appropriate estimates for estimated irrecoverable amounts are recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired. Further information relating to impairment of financial assets is given in note 19.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to the cashflows to a third party.

Financial liabilities
Financial liabilities consist of trade and other payables and interest-bearing loans which are initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled or expire.

Deferred income and contract liabilities

Deferred income includes a government grant and cash received in advance of obligations being fulfilled.

The grant received relates to an asset and has been presented in the statement of financial position as deferred income and released to the consolidated statement of comprehensive income over the economic life of the asset. It is classified as other income.

Where cash has been received or the Group has invoiced in advance of performance obligations being fulfilled by the Group, these amounts have been presented as contract liabilities in the statement of financial position. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Until the adoption of IFRS 15 on 1 April 2018, contract liabilities were classified as deferred income. Comparatives for the year ended 31 March 2018 have not been restated (see note 1, Changes to significant accounting policies).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and bank overdraft. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Restricted bank balances are not included within cash and cash equivalents because they are not able to be utilised at the Group's discretion.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Fair value measurement policy
The Group measures contingent consideration, derivatives and investment properties at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Notes to the financial statements *(continued)*

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the aggregated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the aggregated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as investment properties.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Adopted IFRSs not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 16 Leases (effective date 1 January 2019)
- IFRS 17 Insurance contracts (effective date 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019)
- Amendments resulting from the annual Improvements to IFRS Standards 2015-2017 Cycle (effective date 1 January 2019)

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Company or Group in future periods.

Notes to the financial statements *(continued)*

2. Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 1. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

(A) Revenue streams

The Group generates revenue primarily from the sale of residential properties and the sale of land options. Other sources of revenue are varied including other revenue receivable from contracts with customers and rental income from investment property. All revenue was generated within the UK.

Group	2019	2018
	£	£
Revenue from contracts with customers	150,006,207	167,498,517
Other revenue and income	2,141,656	1,203,960
Total revenue and other income	152,147,863	168,702,477
Presented in the consolidated statement of comprehensive income as:		
Revenue	150,197,623	167,456,713
Other income	1,950,240	1,245,764
Total revenue and other income	152,147,863	168,702,477

(B) Disaggregation of revenue from contracts with customers

Group	2019	2018
	£	£
Sale of residential property	145,469,532	132,988,063
Sale of land options	-	30,745,920
Heat network connection fee income	1,808,322	1,525,117
Other revenue	149,510	338,471
Total revenue recognised at a point in time	147,427,364	165,597,571
Sale of heat and electricity	1,780,784	1,188,418
Other revenue	798,059	712,528
Total revenues recognised over time	2,578,843	1,900,946
Total revenue from contracts with customers	150,006,207	167,498,517

(C) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Group	As at 31 March 2019	As at 1 April 2018 (after transition to IFRS 15)
	£	£
Trade receivables	1,064,690	133,072
Contract assets	2,894,280	980,795
Contract liabilities	(4,070,311)	(8,604,223)
Net contract balances	(111,341)	(7,490,356)

Notes to the financial statements *(continued)*

Contract assets primarily relate to the Group's right to consideration due but not yet received at the reporting date on the sale of residential property.

Contract liabilities primarily relate to the advance consideration received from customers for residential property, for which revenue has not yet been recognised because the relevant performance obligations have not yet been satisfied. This will be recognised when construction of the property is complete, which is expected to be within 12 months of the reporting date.

The contract liabilities as at 1 April 2018 also primarily related to the advance consideration from customers for residential property, for which the relevant performance obligations had not yet been satisfied at that date. The entire amount has been recognised as revenue during the year ended 31 March 2019.

(D) Performance obligations and revenue recognition policies

Type of product / service	**Nature and timing of satisfaction of performance obligations**	**Revenue recognition policy under IFRS 15 (applicable from 1 April 2018)**	**Explanation of any significant changes in accounting policy**
Sale of residential property	Contracts for the sale of the residential unit are exchanged in advance of the completion date, which is the point at which legal and beneficial ownership transfers from the Group to the customer. Full consideration is received on, or very shortly after the date of completion of the sale. Reservation and exchange deposits received in advance of completion are not deemed to constitute a significant financing component.	Revenue from the sale of residential units is recognised at a point in time at completion of the sale.	No significant changes.
Sale of land options	Performance obligations are generally satisfied at the time that the contract with the customer is completed and control of the land is transferred. Payment is typically due shortly after the completion date.	Revenue from the sale of land options is recognised at a point in time, when the performance obligations have been satisfied, control has been transferred to the buyer and the Group has an enforceable right to payment. Where cash has been received in advance of obligations being fulfilled by the Group, these amounts have been presented as contract liabilities in the statement of financial position. No revenue is recognised when there are significant uncertainties that the entity will collect consideration to which it will be entitled in exchange for the services transferred to the customer.	No significant changes.

Notes to the financial statements *(continued)*

Heat Network connection fee income	The performance obligation is satisfied when practical completion of the connection is reached.	Revenue from connection fees is recognised at a point in time at practical completion of the connection.	No significant changes.
Sale of heat and electricity	Invoices for the sale of heat and electricity are issued on a monthly basis and are typically payable within 30 days. Some customers also pay in advance of actual usage. The performance obligation is satisfied when the heat or electricity is consumed by the customer.	Revenue is recognised over time as and when the customer receives and consumes the benefits provided by the Company and it is probable that the Company will receive consideration. Where cash has been received in advance of obligations being fulfilled by the Company, these amounts have been presented as contract liabilities in the statement of financial position.	No significant changes.

3. Remuneration of directors

	2019	2018
	£	£
All Directors		
Directors' emoluments and pensions	**2,053,647**	2,026,017
Highest paid Director		
Directors' emoluments and pensions	**809,356**	736,076

4. Operating profit includes the following:

4a. Administrative expenses

	2019	2018
	£	£
Employment costs	**7,594,092**	6,984,963
Establishment and office running costs	**3,225,034**	3,180,168
Professional fees	**421,626**	408,531
Depreciation	**1,470,019**	1,365,978
Costs charged to inventory	**(8,573,761)**	(7,530,938)
Total expenses	**4,137,010**	4,408,702

Notes to the financial statements *(continued)*

4b. Staff numbers and costs

The Group employed an average of 75 employees during the financial year (2018: 70). All employees are considered to be a single category of professional staff.

Administrative costs include the following staff costs:

	Group 2019 £	Group 2018 £
Wages and salaries	**6,291,085**	5,853,223
National insurance	**796,230**	733,241
Pension costs	**391,943**	298,401
Staff benefits	**114,834**	100,098
Total expense	**7,594,092**	6,984,963

The information given above relates to staff employed by the Group. The Company did not directly employ any staff during the year and as such did not incur any staff costs (2018: £nil).

4c. Expenses and auditor's remuneration

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Amounts paid to the auditor for audit services	**115,000**	75,530	**10,000**	7,791

There were no non-audit fees paid to the auditor (2018: £nil)

5. Finance income and expense

Recognised in the consolidated statement of comprehensive income:

	2019 £	2018 £
Other interest revenue	**28,816**	3,662
Bank interest received	**110,778**	49,872
Interest paid on bank and other borrowings	**(948,587)**	(776,724)
Shareholder loan interest	**(5,268,830)**	(2,207,174)
Net finance expense	**(6,077,823)**	(2,930,364)

Notes to the financial statements *(continued)*

6. Taxation

Recognised in the consolidated statement of comprehensive income:

Group	**2019**	2018
	£	£
Adjustments in respect of prior financial years	**1,043,389**	(943,100)
Deferred tax movement	**(606,889)**	(375,516)
Current year tax charge	-	(1,973,829)
Total taxation	**436,500**	(3,292,445)

Reconciliation of effective tax rate:	**2019**	2018
	£	£
(Loss) / Profit before taxation	**(11,438,912)**	907,935
Tax using the UK corporation tax rate of 19% (2018: 19%)	**2,173,393**	(172,507)
Adjustments in respect of prior financial years	**1,043,389**	(943,101)
Brought forward losses utilised	-	337,820
Other tax adjustments	**(2,851,682)**	(2,310,596)
Change in tax rate	**71,400**	(204,061)
Total tax in the consolidated statement of comprehensive income	**436,500**	(3,292,445)

Reductions in the UK Corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The reduction will reduce the Group's future tax accordingly.

7. Investments

Investment Property – Group:

Investment properties at 31 March 2018 related to six apartments on Greenwich Peninsula acquired in October 2016 which are treated as investment property. They were initially measured at cost in the statement of financial position and were independently valued by Cordell Marks, Chartered Surveyors.

The subsequent measurement of the investment property is at fair value, endorsed by the Directors. The fair value is the most appropriate valuation model as it reflects the current prices in the residential property market for comparable properties on Greenwich Peninsula.

During the year, a number of commercial properties developed by the Group were leased to third parties. Due to the change in use from property held for sale in the ordinary course of business to property held to receive rental income, the relevant properties have been transferred from Inventories to Investment Property at fair value as at the date of the change in use. Fair value of the properties as at the date of transfer was determined by management. Subsequent measurement of these properties is at fair value as determined by management.

Notes to the financial statements *(continued)*

Group	2019	2018
	£	£
Investment property at 1 April	**8,987,317**	8,987,317
Additions – transfers from inventories	**2,925,263**	-
Change in fair value in investment properties	**1,379,737**	-
Investment property at 31 March	**13,292,317**	8,987,317

Investment property measured at fair value:

The fair value measurement hierarchy of the Group's assets:

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2019 are given in the table below. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Date of Valuation	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant observable outputs Level 3
		£	£	£	£
31 March 2019					
Investment property measured at fair value	31 Mar 19	**13,292,317**	-	-	13,292,317
31 March 2018					
Investment property measured at fair value	5 Oct 16	**8,987,317**	-	-	8,987,317

There have been no transfers between Level 1 and Level 2 during 2019 (2018: no transfer), and no transfers into and out of Level 3 fair value measurements (2018: no transfers).

Investments in subsidiaries – Company:

Company	2019	2018
	£	£
Investments in subsidiaries at 1 April	**27,567,533**	23,570,823
Additions	**12,000,000**	3,997,710
Disposals	**(105)**	(1,000)
Investments in subsidiaries at 31 March	**39,567,428**	27,567,533

Notes to the financial statements *(continued)*

Name of subsidiary	Country of incorporation	Class of shares held	Ownership 2019 %	Ownership 2018 %
Knight Dragon Developments Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Infrastructure Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Overriding Lease Company Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon M0114A Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon M0114B Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon MO114 LLP[1]	United Kingdom	n/a	100%	100%
Peninsula Quays Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Meridian Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon (N0205) Limited	United Kingdom	Ordinary	100%	100%
GPRL N0202 Development Company Limited[2]	United Kingdom	Ordinary	-	100%
GPRL N0202 Land Limited[2]	United Kingdom	Ordinary	-	100%
GPRL Peninsula Services Limited[2]	United Kingdom	Ordinary	-	100%
Greenwich Peninsula Residential Development Company Limited[2]	United Kingdom	Ordinary	-	100%
Knight Dragon M0115 Limited	United Kingdom	Ordinary	100%	100%
GPRL Retail Limited[2]	United Kingdom	Ordinary	-	100%
Knight Dragon M0117 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon N0206 Limited	United Kingdom	Ordinary	100%	100%
Greenwich Peninsula ESCO Limited	United Kingdom	Ordinary	100%	100%
Loka Energy Limited[3]	United Kingdom	Ordinary	100%	100%
Knight Dragon M0103 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon M0104 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon M0121 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon M0116 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Residential M0115 Limited[2]	United Kingdom	Ordinary	-	100%
Knight Dragon Residential M0117 Limited[2]	United Kingdom	Ordinary	-	100%
Knight Dragon Peninsula Place Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon 18.02 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon 18.03 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon 19.04 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon 19.05 Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Finance Limited	United Kingdom	Ordinary	100%	100%
GP Meridian Events Limited	United Kingdom	Ordinary	100%	100%
Greenwich Peninsula Lettings Limited	United Kingdom	Ordinary	100%	100%
Greenwich Peninsula Sales Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Strategic Investments Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon Special Projects Limited	United Kingdom	Ordinary	100%	100%
GP Upper Riverside District Manco Limited	United Kingdom	Ordinary	100%	100%
GP Lower Riverside District Manco Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon PSK Limited	United Kingdom	Ordinary	100%	100%
Design District Limited	United Kingdom	Ordinary	100%	100%
Knight Dragon N0206 Residential Limited	United Kingdom	Ordinary	100%	-
Knight Dragon Ventures Limited	United Kingdom	Ordinary	100%	-
Greenwich River Limited[4]	United Kingdom	Ordinary	100%	-

The registered office address of all subsidiaries is Level 9, 6 Mitre Passage, Greenwich Peninsula, London SE10 0ER

[1] Knight Dragon M0114A Limited and Knight Dragon M0114B Limited are each 50% partners in Knight Dragon MO114 LLP
[2] Entity dissolved during the year
[3] The investment in Loka Energy Limited is held by Greenwich Peninsula ESCO Limited
[4] The investment in Greenwich River Limited is held by Knight Dragon Developments Limited

Notes to the financial statements *(continued)*

8. Property, Plant and Equipment for the Group

	Main Energy Centre £'000	Heat network and related assets £'000	Construction in progress £'000	IT assets and Fixtures & Fittings £'000	Total £'000
Cost					
At 1 April 2018	23,809	16,460	1,245	1,193	**42,707**
Additions	26	824	652	67	**1,569**
Transfer in the year	71	629	(700)	-	-
At 31 March 2019	**23,906**	**17,913**	**1,197**	**1,260**	**44,276**
Accumulated Depreciation					
At 1 April 2018	(886)	(689)	-	(287)	**(1,862)**
Charge for the year	(718)	(541)	-	(211)	**(1,470)**
At 31 March 2019	**(1,604)**	**(1,230)**	-	**(498)**	**(3,332)**
Net Book Value					
At 1 April 2018	22,923	15,771	1,245	906	**40,845**
Movement in year	(621)	912	(48)	(144)	**99**
At 31 March 2019	**22,302**	**16,683**	**1,197**	**762**	**40,944**
Cost					
At 1 April 2017	23,078	6,886	5,003	1,072	**36,039**
Additions	728	5,578	241	121	**6,668**
Transfer in the year	3	3,996	(3,999)	-	-
At 31 March 2018	**23,809**	**16,460**	**1,245**	**1,193**	**42,707**
Accumulated depreciation					
At 1 April 2017	(171)	(230)	-	(95)	**(496)**
Charge for the year	(715)	(459)	-	(192)	**(1,366)**
At 31 March 2018	**(886)**	**(689)**	-	**(287)**	**(1,862)**
Net Book Value					
At 1 April 2017	22,907	6,656	5,003	977	**35,543**
Movement in year	16	9,115	(3,758)	(71)	**5,302**
At 31 March 2018	**22,923**	**15,771**	**1,245**	**906**	**40,845**

Notes to the financial statements *(continued)*

The following are the depreciation rates used by the Group:

Category	**Useful Life**
IT assets	3 years
Furniture & fittings	10 years
Heat network and related assets	15 years – 50 years
Main Energy Centre	15 years – 50 years

The Main Energy Centre is pledged as security against the associated third party borrowings.

9. Amounts due from related entities

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Loans to subsidiaries	-	-	**589,358,649**	504,500,667

The fair value of amounts due from related parties approximates to book value.

Interest is charged at the 3 month Libor + 5% per annum and at 3 month Libor + 2% per annum. The directors of the Company consider the loans to be repayable in a period greater than five years as they relate to loans from the parent who cannot seek repayment until funds become available.

10. Deferred tax assets and liabilities – Group

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2019 £	2018 £
Accelerated capital allowances	**(1,172,651)**	(1,202,918)
Fair value of investment properties	**(234,555)**	-
Tax value of loss carried forward	**2,706,864**	2,765,985
Net deferred tax assets	**1,299,658**	1,563,067

Notes to the financial statements *(continued)*

Movement in deferred tax during the year

	1 April 2018	Prior year adjustments	Current year movement	31 March 2019
	£	£	£	£
Accelerated capital allowances	(1,202,918)	282,304	(252,037)	(1,172,651)
Fair value of investment properties	-	-	(234,555)	(234,555)
Tax value of loss carried forward	2,765,985	61,177	(120,298)	2,706,864
Net deferred tax assets	**1,563,067**	**343,481**	**(606,890)**	**1,299,658**

	1 April 2017	Prior year adjustments	Current year movement	31 March 2018
	£	£	£	£
Accelerated capital allowances	(138,977)	(1,523,110)	459,169	(1,202,918)
Tax value of loss carried forward	3,020,661	580,009	(834,685)	2,765,985
Net deferred tax assets	**2,881,684**	**(943,101)**	**(375,516)**	**1,563,067**

11. Inventories

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Work in progress	**843,088,287**	737,504,841	**-**	-

Inventories include capitalised interest costs in the year of £33,472,270 (2018: £29,424,237). Shareholder interest is capitalised in the development plots at 3 month Libor + 5% per annum and at 3 month Libor + 2% per annum. Third party interest attracts variable interest rates at an average of 3.5% (2018: 3.5%). These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

Inventories recognised as cost of sales during the year amounted to £146,551,676 (2018: 153,035,151).

The carrying value of inventories pledged as security against third party borrowings amounted to £537,861,462 at 31 March 2019 (2018: £509,917,206).

Notes to the financial statements *(continued)*

12. Trade and other receivables

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Trade receivables	**1,064,690**	133,072	-	3,741,672
VAT receivables	**5,389,596**	2,972,671	-	1,491
Amounts due from related parties	-	10,229	**22,051,232**	15,310,229
Other receivables	**17,502,184**	2,053,287	**8,339**	2,000
Prepayments and accrued income	**35,861,031**	25,573,773	-	66,333
Lease incentives	**1,671,895**	-	-	-
Corporation tax receivable	**1,614,505**	-	**840,000**	-
Total trade and other receivables	**63,103,901**	30,743,032	**22,899,571**	19,121,725

The fair value of trade and other receivables approximates to book value.

Trade receivables are non-interest-bearing and are generally on 30 day terms. Refer to note 19 for further information.

13. Cash and cash equivalents

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Cash at bank and in hand	**17,195,330**	76,718,016	**13,389,722**	69,813,181
Restricted cash at bank	**2,976,978**	-	-	-
Total cash at bank and in hand	**20,172,308**	76,718,016	**13,389,722**	69,813,181
Restricted cash at bank	**(2,976,978)**	-	-	-
Cash and cash equivalents per the statement of cash flows	**17,195,330**	76,718,016	**13,389,722**	69,813,181

Restricted bank balances are held as security against loan facilities. They are not included within cash and cash equivalents because they cannot be used at the Group's discretion.

Notes to the financial statements *(continued)*

14. Trade and other payables

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Trade payables	15,910,413	7,963,031	-	-
Amounts due to related parties	-	10,229	9,928,855	5
Other payables	1,188,434	1,722,592	-	104
Taxation payable	-	2,039,357	-	65,528
Accruals	3,592,024	2,740,760	1,108,232	16,651
	20,690,871	**14,475,969**	**11,037,087**	**82,288**

The fair value of trade and other payables approximates to book value.

15. Deferred Income

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Current				
Sales deposits*	-	8,571,734	-	-
Fees received in advance for services*	-	12,489	-	-
Other income accrued*	-	20,000	-	-
Grant from the Royal Borough of Greenwich	**140,000**	140,000	-	-
	140,000	8,744,223	-	-
Non-current				
Grant from the Royal Borough of Greenwich	**6,545,000**	6,685,000	-	-
	6,545,000	6,685,000	-	-

*Deferred income relating to revenue from contracts with customers has been reclassified to contract liabilities on transition to IFRS 15 on 1 April 2018. As explained in note 1, comparatives for the year ended 31 March 2018 have not been restated to reflect this change in accounting policy. For more details about balances from contracts with customers, see note 2.

The Grant is to aid in the construction of the main energy centre and is initially recognised as deferred income. This deferred income will be released in line with the asset and 50 years has been used to recognise the income.

16. Provisions

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Provision for future costs	**10,969,925**	5,227,903	-	-

The provision relates to future costs as per the build contracts which have been provided for at 31 March 2019.

Notes to the financial statements *(continued)*

17. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rates, see note 19.

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Current				
Third Party Loans	**172,640,701**	107,032,635	-	-
Total interest-bearing loans and borrowings	**172,640,701**	107,032,635	-	-
Non-current				
Loan from shareholders	**399,704,565**	533,958,027	**399,704,565**	533,956,187
Third Party Loans	**150,215,597**	159,417,480	-	-
Total interest-bearing loans and borrowings	**549,920,162**	693,375,507	**399,704,565**	533,956,187

Shareholder interest is charged at 3 month Libor + 5% per annum and at 3 month Libor + 2% per annum. The directors of the Company consider the shareholder loans to be repayable in a period greater than five years as they relate to loans from the parent who cannot seek repayment until funds become available.

Third party interest is charged at an average rate of 3.75% per annum (2018: 3.5% per annum). The loan facilities have varying lengths of maturity with £172,640,701 being due to within twelve months. Refer to note 19 for more information.

Third party loans are secured on the inventory of the respective development subsidiary.

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
Ordinary A shares of £0.001 each	**10,495**	2,531
Ordinary B shares of £0.001 each	**1,687**	1,687
	12,182	4,218

Number of shares in issue	**2019 Ordinary A shares Number**	**2019 Ordinary B shares Number**	2018 Ordinary A shares Number	2018 Ordinary B shares Number
Number of shares at 1 April	**2,530,713**	**1,687,142**	2,530,713	1,687,142
Share capital issued	**7,964,096**	-	-	-
Number of shares at 31 March	**10,494,809**	**1,687,142**	2,530,713	1,687,142

On 28 March 2019, the Company issued 7,964,096 additional Ordinary A shares of £0.001 each to the sole shareholder, Knight Dragon Limited.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. There are no associated rights or preferences relating to the shares.

Notes to the financial statements *(continued)*

19. Financing Arrangements and Financial Instruments

(a) Fair values of financial instruments

All instruments recognised on the statement of financial position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

Trade and other receivables and contract assets

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the date of statement of financial position if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the date of statement of financial position if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the date of statement of financial position.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the date of statement of financial position.

(b) Credit Risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Group

Credit risk represents the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss to the Group. The Group has exposure to credit risk from all recognised financial assets.

Credit risk is managed by limiting the aggregate exposure to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered unlikely.

The maximum exposure to credit risk at the date of statement of financial position on financial assets recognised in the statement of financial position equals the carrying amount, net of any impairment.

For the year ended 31 March 2018, the Company applied IAS 39 and recognised impairment losses based on an 'incurred loss model'. For the year ended 31 March 2018 no incurred impairment losses were recognised.

From 1 April 2018, the Company has adopted IFRS 9 and amended its accounting policies as explained in Note 1. From this date, the Company recognises impairment on trade receivables and contract assets based on expected credit losses.

The Company allocates each exposure to credit risk based on a combination of data that is determined to be predictive of the risk of loss together with management judgement. Credit risk grades are defined using quantitative and qualitative information.

Notes to the financial statements *(continued)*

The Company uses an allowance matrix to measure expected credit losses of trade receivables and contract assets. Loss rates are calculated using a 'roll rate' method based on the probability of the receivable progressing through successive stages to eventual write-off. Roll rates are calculated separately for exposures to different categories of customer and associated credit risk.

The following table provides information about how expected credit losses for trade receivables are calculated as at 31 March 2019:

	Weighted Average Loss rate	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Current (not past due)	0.3%	**228,363**	(701)	**227,662**
1-30 days past due	4.3%	**75,463**	(3,239)	**72,224**
31-60 days past due	2.8%	**674,530**	(18,657)	**655,873**
61-90 days past due	12.0%	**70,619**	(8,491)	**62,128**
91+ days past due	47.4%	**89,008**	(42,205)	**46,803**
Total	**6.4%**	**1,137,983**	**(73,293)**	**1,064,690**

Expected credit losses on contract assets were not material.

Company
The Company did not have any sales in the year (2018: £nil) but intends to manage its credit risk by securing guarantees against significant credit risks.

(c) Market risk

Effective interest and re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the date of statement of financial position and the period in which they re-price:

Group

31 March 2019	**Effective interest**	**Total**	**One to Twelve Months**	**One to Five Years**	**More than Five Years**
		£	**£**	**£**	**£**
Cash	0.5%-2%	20,172,308	20,172,308	-	-
Interest-bearing loans and borrowings	2.8% - 5.8%	722,560,863	172,640,701	20,210,548	529,709,614

31 March 2018	**Effective interest**	**Total**	**One to Twelve Months**	**One to Five Years**	**More than Five Years**
		£	**£**	**£**	**£**
Cash	0.5%-2%	76,718,016	76,718,016	-	-
Interest-bearing loans and borrowings	2%-10%	800,408,142	107,032,635	45,417,480	647,958,027

Notes to the financial statements *(continued)*

Company

31 March 2019	**Effective interest**	**Total**	**One to Twelve Months**	**One to Five Years**	**More than Five Years**
		£	**£**	**£**	**£**
Cash	0.5%-2%	13,389,722	13,389,722	-	-
Interest-bearing loans and borrowings	2.8%-5.8%	399,704,564	-	-	399,704,564

31 March 2018	**Effective interest**	**Total**	**One to Twelve Months**	**One to Five Years**	**More than Five Years**
		£	**£**	**£**	**£**
Cash	0.5%-2%	69,813,181	69,813,181	-	-
Interest-bearing loans and borrowings	2%-10%	533,956,187	-	-	533,956,187

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Sensitivity analysis

At 31 March 2019, it was estimated that a general increase of one percentage point in interest rates would increase the Group's interest payable by approximately £6,394,820 (2018: £4,504,265) based on the average outstanding balance of interest-bearing liabilities during the period.

(d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Group & Company

The Group's objective is to maintain the efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Group and ensure sufficient availability of credit facilities.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

Notes to the financial statements *(continued)*

The following are the contractual cash flow maturities of financial liabilities as at the end of the reporting period, including estimated interest payments and excluding the impact of netting agreements.

Group **As at 31 March 2019**	**Carrying Amount**	**Contractual Cash Flows**	**Less than one year**	**One to Five Years**	**More than Five Years**
	£	**£**	**£**	**£**	**£**
Non derivative financial liabilities					
Trade and other payables	17,098,847	17,098,847	17,098,847	-	-
Interest bearing loans	722,560,863	771,839,020	183,130,975	39,111,873	549,596,172
Total	**739,659,710**	**788,937,867**	**200,229,822**	**39,111,873**	**549,596,172**

Group **As at 31 March 2018**	**Carrying Amount**	**Contractual Cash Flows**	**Less than one year**	**One to Five Years**	**More than Five Years**
	£	**£**	**£**	**£**	**£**
Non derivative financial liabilities					
Trade and other payables	12,436,612	12,436,612	12,436,612	-	-
Interest bearing loans	800,408,142	862,857,193	109,512,490	49,551,190	703,793,513
Total	**812,844,754**	**875,293,805**	**121,949,102**	**49,551,190**	**703,793,513**

Company **As at 31 March 2019**	**Carrying Amount**	**Contractual Cash Flows**	**Less than one year**	**One to Five Years**	**More than Five Years**
	£	**£**	**£**	**£**	**£**
Non derivative financial liabilities					
Trade and other payables	9,928,855	9,928,855	9,928,855	-	-
Interest bearing loans	399,704,564	399,704,564	-	-	399,704,564
Total	**409,633,419**	**409,633,419**	**9,928,855**	**-**	**399,704,564**

Company **As at 31 March 2018**	**Carrying Amount**	**Contractual Cash Flows**	**Less than one year**	**One to Five Years**	**More than Five Years**
	£	**£**	**£**	**£**	**£**
Non derivative financial liabilities					
Trade and other payables	16,760	16,760	16,760	-	-
Interest bearing loans	533,956,187	548,935,913	-	-	548,935,913
Total	**533,972,947**	**548,952,673**	**16,760**	**-**	**548,935,913**

The directors of the Group and the Company consider the shareholder loans to be repayable in a period greater than five years (2018: greater than five years) as they relate to loans from the parent who cannot seek repayment until funds become available. Given the profile of the development, they believe this to represent the most likely period of repayment. The parent has indicated via a statement of support for the Group and Company that it intends to support the Group and Company for at least the next twelve months. See note 1, Going Concern.

(e) Capital risk management

The Group's overall capital risk management strategy is to maintain a strong capital base so as to sustain investor, creditor and market confidence and for the future development of the business.

For the Group's purposes, capital consists of issued share capital, share premium (where appropriate), retained earnings, reserves (where appropriate) and also long-term shareholders' loans.

During the year, the Company issued £170,000,000 new Ordinary shares (including share premium) to the sole shareholder, Knight Dragon Limited. This transaction increased the capital base of the Company and Group by the same amount.

Notes to the financial statements *(continued)*

20. Contingencies and commitments

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Construction, infrastructure and other works	**113,457,352**	201,035,414	**-**	-

Commitments are disclosed where the obligation for construction, infrastructure and other works relating to the regeneration of Greenwich Peninsula has been triggered by events identified in legal documents.

The Group total as at 31 March 2019 is mainly comprised of the build contracts for private and affordable housing and associated infrastructure, scheduled to be incurred over the next two years.

21. Related party transactions

At the year end the Company was owed the following amounts from subsidiaries, net of provisions:

	2019 £	**2018 £**
Knight Dragon Developments Limited	**161,677,222**	81,971,673
Knight Dragon Strategic Investments Limited	**294,084**	247,814
Knight Dragon Special Projects Limited	**22,049,481**	15,300,000
Greenwich Peninsula Lettings Limited	**33,241**	-
Greenwich Peninsula Sales Limited	**6,358**	211
Greenwich Peninsula ESCO Limited	**14,506,182**	14,935,889
Loka Energy Limited	**4,743,000**	2,703,279
Knight Dragon Peninsula Place Limited	**10,425,417**	9,494,178
Knight Dragon Meridian Limited	**132,021,400**	124,538,990
GP Meridian Events Limited	**1,290,806**	-
Knight Dragon 18.02 Limited	**1,942,927**	1,834,553
Knight Dragon 18.03 Limited	**3,476,782**	3,282,734
Knight Dragon 19.04 Limited	**2,291,054**	2,163,237
Knight Dragon 19.05 Limited	**6,636,920**	6,266,359
Knight Dragon M0116 Limited	**95,640**	1,521,865
Knight Dragon M0115 Limited	**-**	142,306
Knight Dragon M0104 Limited	**-**	7,824,893
Knight Dragon (N0205) Limited	**78,096,902**	104,302,570
Knight Dragon N0206 Limited	**153,634,123**	137,936,473
Knight Dragon M0121 Limited	**6,550,514**	6,175,321
Peninsula Quays Limited	**6,532,346**	6,167,627
Knight Dragon M0114A Limited	**935,845**	935,845
Knight Dragon M0114B Limited	**8,297**	8,297
Design District Limited	**4,159,586**	-
	611,408,127	**527,754,114**

During the year, the Company charged £31,222,867 (2018: £26,528,956) of interest to its subsidiaries. Interest is charged at 3 month Libor + 5% and at 3 month Libor +2% per annum. The balances are unsecured and have no fixed repayment date.

Notes to the financial statements *(continued)*

At the year end the Company owed the following amounts to subsidiaries:

	2019	2018
	£	£
GP Meridian Events Limited	-	16,300
Knight Dragon M0115 Limited	**1,180,031**	-
Knight Dragon M0103 Limited	**4,019,109**	5,346,935
Knight Dragon M0117 Limited	**2,407,348**	19,732
Knight Dragon M0114 LLP	**2,320,618**	2,560,252
	9,927,106	7,943,219

The above balances owed to subsidiaries are non-interest bearing and repayable on demand.

Existing loan stock

At the year-end existing loan stock of £150,517,727 (2018: £146,361,212) was owed to Knight Dragon Limited ("KDL"). Interest is charged quarterly at 3 month Libor + 2% per annum on all loan stock balances.

New loan stock

At the year-end new loan stock of £249,186,838 (2018: £387,594,975) was owed to KDL. Interest is charged quarterly at 3 month Libor + 5% per annum on all loan stock balances.

22. Subsequent events

There have been no significant subsequent events.

23. Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company's immediate parent company is Knight Dragon Limited (incorporated and registered in Hong Kong), whose registered address is 38/F New World Tower, 16-18 Queens Road Central, Hong Kong.

The Company's results are included within the consolidated financial statements of Chow Tai Fook Enterprises Limited (incorporated and registered in Hong Kong), which is the smallest and largest group which prepares consolidated accounts within which the Company is a member. The registered office of Chow Tai Fook Enterprises Limited is 38/F New World Tower, 16-18 Queens Road Central, Hong Kong.

The ultimate parent undertakings and controlling parties are Cheng Yu Tung Family (Holdings) Limited (incorporated and registered in the British Virgin Islands) and Cheng Yu Tung Family (Holdings II) Limited (incorporated and registered in the British Virgin Islands). The registered office address of both companies is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands.