

# **Knight Dragon Investments Limited**

## **Annual report and financial statements**

**Registered number 6231628  
For the year ended 31 March 2020**

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## **Annual report and financial statements**

### **Contents**

Group strategic report	1-5
Directors' report	6-7
Independent auditor's report to the members of Knight Dragon Investments Limited	8-10
Consolidated statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14-15
Notes to the financial statements	16-48

## Group strategic report

### Business review

Knight Dragon Investments Limited ("the Company") and its subsidiaries (collectively "the Group") has planning consent for 17 million sq ft of development at Greenwich Peninsula, incorporating 15,720 residential units, offices, retail, food and beverage, and the infrastructure to support a community of this size.

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 O2 and surrounding areas). KDDL's principal role is as master planner for the site. It is also obliged under the 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 2020, 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 activities 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 opened the first 1km phase of London's first riverside linear park, The Tide. The remaining 4km is to be completed in phases in future years as the development of the site progresses.
- Knight Dragon (N0205) Limited continued to sell the 324 private and 140 affordable & intermediate units in Buildings 1 and 2 Upper Riverside.
- Knight Dragon N0206 Limited reached practical completion on Buildings 3, 4 and 5 Upper Riverside. This development comprises 541 residential and 3 commercial units.
- Construction progressed on the Design District, a new creative destination comprising 16 buildings by eight separate architectural practices, with completion now scheduled for Spring 2021.
- The development of Magazine London was completed. This is a new semi-permanent events space at Meridian Quays comprising 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. A number of events were held successfully in the new venue prior to the disruption to business caused by the Covid-19 global pandemic.

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. The uncertainty in recent years surrounding Brexit has affected market confidence, but in the last quarter of 2019 and the first quarter of 2020 the pace of sales had improved significantly. Covid-19 affected the very end of the year but has had more impact after the year end (see risks & uncertainties for more information).

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 £32.3m (2019: £11.0m) for the financial year is predominantly a result of fair value losses of investment properties and impairments of capital contributions on investment properties (£20.3m). In addition, marketing costs are expensed to the statement of comprehensive income as incurred whereas the associated project revenues will generally be recognised in future years.

Following a £170m repayment of shareholder loans and corresponding increase in share capital in March 2019, net finance costs were considerably lower than previous years at £2.7m (2019: £6.1m) including shareholder loan interest of £1m (2019: £5.3m).

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 541 new residential units was completed (2019: 464 units).

Revenue in the year amounted to £141.5m (2019: £150.2m) representing a decrease of 5.8% year on year which reflects the profile of development activity and completions within the five buildings comprising the Upper Riverside district and the uncertainty caused by Brexit. There was no revenue from the sale of land options during the year.

Net assets of the Group at 31 March 2020 were £187.8m (2019: £219.8m).

### **Future developments**

Future developments of the Group include the completion and occupancy of the new Design District which is scheduled to open in Spring 2021. The Group is carrying out planning and design for the development of a new residential building, with construction anticipated to commence in early 2021. Initial concept and planning work is also being carried out on the potential development in the near future of two further plots.

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

### **s172(1) Statement**

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of The Companies Act 2006.

#### Shareholders

The immediate and ultimate parent undertakings and controlling parties are set out in note 27 of the financial statements.

The continued support of our parent companies in continuing to make available the loans already provided, and our ability to access additional shareholder capital if needed, is of vital importance to the long-term success of our business.

Through our engagement activities, we strive to obtain shareholder support of our strategic objectives and how we execute them. The key mechanism for engagement is through direct liaison between the directors of the Company and those of the parent companies.

A key topic of engagement during the year included plans for a revised masterplan submission which would increase the total number of homes to be delivered under the scheme but reduce the number of homes delivered directly by the Group. The outcome of this engagement was the agreement to submit the revised masterplan planning application.

We also regularly engage with the parent companies regarding the timing of our short to medium term development programme and the consequential funding requirements that may be needed to deliver it.

#### Lenders

Our primary business activities are capital intensive, requiring large up-front investment and therefore continued access to capital is of vital importance to the long-term success of our business. We have several lenders with whom we have forged strong relationships over many years and with whom we engage in order to obtain funding support for our strategic and financial objectives. Engagement is largely done through meetings and negotiations with our key relationships and via ongoing compliance monitoring.

The key topic of engagement during the year included the re-financing of the second phase of our Upper Riverside development which was finalised shortly after the year end in April 2020. This has resulted in a longer-term investment facility secured against one of the buildings which is being held as investment property to generate rental income and to benefit from longer-term capital appreciation.

## **Group strategic report (continued)**

### **Suppliers**

We have a limited number of very large suppliers which are typically national or international construction companies, and also a large number of smaller independent supplier businesses.

Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standards of delivery and service that we set ourselves and on which our customers judge us. Engagement is predominantly done at senior management level by working with our suppliers collaboratively to achieve common goals.

A key topic of engagement during the year was working together with our main contractor on our Upper Riverside development to improve the quality control process in order to reduce the number of defects and resultant snagging works that are carried out after construction is complete. This collaboration has benefitted both parties as well as our residents.

We generally agree relatively short payment terms with our building contractors in recognition of the cashflow requirements for their business. For smaller suppliers, we generally operate in line with each supplier's requested payment terms, other than in a small number of cases where we feel those terms unfairly favour the supplier or are not in line with industry norms.

### **Staff**

The Group's success is reliant on the commitment of our staff who are employed by our main development subsidiary company. We engage with our staff to ensure we are fostering an environment that they are happy to work in and that best supports their well-being.

At the start of the year, we began working with a human resources consultant to ensure we are engaging with our staff in the most appropriate way. As part of this process, we undertook a thorough review of how we already engaged with staff and how this could be improved. This included a number of one-on-one 360° interviews as well as wider group discussions.

In addition to regular face-to-face meetings between the directors and staff, our key engagement activity takes place through quarterly 'Town Hall' meetings, where the Company meets as a whole to discuss recent activities and to answer questions raised by staff. Clear goals are set by the Chief Executive Officer and progress is updated against those goals throughout the year. There are also quarterly management meetings in order for senior management to discuss key topics and communicate information throughout the organisation.

The onset of the Covid-19 pandemic towards the end of the financial year presented a new challenge for the business and our staff. In response to these conditions, and in line with the protocols set by government, the directors decided to move all staff to home working. While this has presented some practical issues for those who need engagement with work on-site, this transition has allowed us to retain staff despite the challenging operational circumstances.

### **Customers and community**

Due to the nature of the development we are undertaking, being a single development spanning the course of many years, we view engagement with our customers and local community to be of vital importance to achieving our long-term objectives.

We primarily engage with existing customers through our customer services and aftercare teams during and after the move-in process. We also engage with our residents and local communities through a series of place making activations throughout the year. In the year to 31 March 2020, this included hosting the annual *Urban Village Fete* and the inception of the *Turning Tides Festival* which celebrated the opening of *The Tide*, as well as a number of smaller events throughout the year. We also engage with the local community through the Now Gallery, which sits at the gateway to the development and hosts a series of free-to-access exhibitions and installations throughout the year in addition to providing information about the overall development.

As mentioned under 'Suppliers', we engaged with our main contractor on reducing the number of defects present in our Upper Riverside development at completion, to benefit the 'customer experience' of our new residents as well as ourselves.

## **Group strategic report (*continued*)**

We regularly look for other ways to enhance the customer experience both before and after sale. During the year, we worked on the development of a new resident portal via which all our residents will be able to manage their property matters with us online.

The Group recently employed a community engagement leader to broaden our community engagement activities to help increase the social value and reduce the environmental impact of our business activities.

### **Local government**

Our main development subsidiary company is party to agreements with the GLA, which give the Group exclusive rights to develop 147 acres of Greenwich Peninsula. In addition, the Group must obtain planning permission from the Royal Borough of Greenwich ("RBG") for any development activity that we undertake. Fostering collaborative relationships with both these parties is of key importance to our business.

We primarily engage with the GLA through regular project team meetings and the setting of our annual business plan which describes our planned activities for the following three years. Engagement with RBG is through discussions relating to planning applications and permissions and other development matters.

A key topic of engagement during the year was our revised masterplan, which was submitted for planning permission.

### **Principal decisions**

When making decisions, the directors ensure they act in the way they consider would most likely promote the Company's success for the benefit of its members as whole, whilst in doing so having regard for the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers & other stakeholders, the impact of operations on the community and the environment, and maintaining a reputation for high standards of business conduct.

The principal decisions taken by the directors during the year, and how the directors have made them with regard for stakeholders, are reflected in the sections above.

### **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 23 of the notes to the financial statements.

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

Since the start of 2020, the outbreak of Covid-19, which continues to be a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction of its ultimate impact, which could be a continued adverse effect on economic and market conditions and a period of global economic slowdown.


The directors continue to monitor developments relating to Covid-19 and are coordinating the Group's operational response based on existing business continuity plans and on guidance from global health organisations, government bodies and general pandemic response best practices.

Notwithstanding these risks and uncertainties, the Group is engaged in a long-term project and the fundamental imbalance between supply and demand of residential accommodation in London is unlikely to be fully addressed in the near future.

**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

8 September 2020

## **Directors' report**

The directors present the directors' report and financial statements for the year ended 31 March 2020.

### **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").

The Company's principal activity is the investment in property development entities.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2019: £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 Heiningner  
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 themselves 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 in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the strategic report, the directors' report and the 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 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 the parent company and of their profit or loss for that period. In preparing each of the Group and the 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 the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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

8 September 2020

## **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 2020 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 2020 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.

### **Emphasis of matter – uncertain valuation of investment property**

We draw attention to note 8 to the consolidated financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

### **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 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 7, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

### **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.



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

09 September 2020

**Consolidated statement of comprehensive income**  
*for the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> £	<b>2019</b> £
Revenue	2	<b>141,518,430</b>	150,197,623
Cost of sales		<b>(138,525,402)</b>	(148,447,176)
<b>Gross profit</b>		<b>2,993,028</b>	1,750,447
Other income	2	<b>504,000</b>	1,950,240
Other (losses) / gains	3	<b>(23,776,474)</b>	-
Selling expenses		<b>(5,349,080)</b>	(4,924,766)
Administrative expenses	5	<b>(7,885,267)</b>	(4,137,010)
<b>Operating loss before tax</b>		<b>(33,513,793)</b>	(5,361,089)
Net finance expense	6	<b>(2,724,020)</b>	(6,077,823)
<b>Loss before tax</b>		<b>(36,237,813)</b>	(11,438,912)
Taxation	7	<b>3,929,082</b>	436,500
<b>Total comprehensive loss for the year</b>		<b>(32,308,731)</b>	(11,002,412)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(32,154,000)</b>	(11,002,412)
Non-controlling interests		<b>(154,731)</b>	-
		<b>(32,308,731)</b>	(11,002,412)

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

Knight Dragon Investments Limited  
Annual report and financial statements  
For the year ended 31 March 2020

**Statement of financial position**  
**at 31 March 2020**

	Note	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
<b>Non-current assets</b>					
Investment properties	8	153,899,999	13,292,317	-	-
Investments in subsidiaries	9	-	-	39,567,433	39,567,428
Property, plant and equipment	10	49,059,258	40,944,256	-	-
Amounts due from subsidiaries	11	-	-	628,195,365	589,358,649
Deferred tax assets	12	6,667,328	1,299,658	-	-
Financial assets at fair value through profit or loss	13	9,000,000	-	-	-
<b>Total non-current assets</b>		<b>218,626,585</b>	<b>55,536,231</b>	<b>667,762,798</b>	<b>628,926,077</b>
<b>Current assets</b>					
Inventories	14	721,066,900	843,088,287	-	-
Trade and other receivables	15	59,054,317	63,103,901	23,095,119	22,899,571
Contract assets	2	172,482	2,894,280	-	-
Cash at bank and in hand	16	34,233,202	17,195,330	32,733,810	13,389,722
Restricted cash at bank	16	2,796,179	2,976,978	-	-
<b>Total current assets</b>		<b>817,323,080</b>	<b>929,258,776</b>	<b>55,828,929</b>	<b>36,289,293</b>
<b>Total assets</b>		<b>1,035,949,665</b>	<b>984,795,007</b>	<b>723,591,727</b>	<b>665,215,370</b>
<b>Current liabilities</b>					
Trade and other payables	17	(8,413,823)	(20,690,871)	(12,295,147)	(11,037,087)
Deferred income	18	(332,056)	(140,000)	-	-
Contract liabilities	2	(227,136)	(4,070,311)	-	-
Provisions	19	(17,638,594)	(10,969,925)	-	-
Derivative financial instruments	22	(1,889,719)	-	(1,889,719)	-
Other interest-bearing loans and borrowings	20	(176,446,803)	(172,640,701)	(41,317,976)	-
<b>Total current liabilities</b>		<b>(204,948,131)</b>	<b>(208,511,808)</b>	<b>(55,502,842)</b>	<b>(11,037,087)</b>
<b>Net current assets</b>		<b>612,374,949</b>	<b>720,746,968</b>	<b>326,087</b>	<b>25,252,206</b>
<b>Non-current liabilities</b>					
Deferred income	18	(6,405,000)	(6,545,000)	-	-
Shareholder interest-bearing loans	20	(413,471,105)	(399,704,565)	(413,471,105)	(399,704,565)
Other interest-bearing loans and borrowings	20	(221,810,575)	(150,215,597)	-	-
Deferred tax liabilities	12	(1,508,569)	-	-	-
<b>Total non-current liabilities</b>		<b>(643,195,249)</b>	<b>(556,465,162)</b>	<b>(413,471,105)</b>	<b>(399,704,565)</b>
<b>Total liabilities</b>		<b>(848,143,380)</b>	<b>(764,976,970)</b>	<b>(468,973,947)</b>	<b>(410,741,652)</b>
<b>Net Assets</b>		<b>187,806,285</b>	<b>219,818,037</b>	<b>254,617,780</b>	<b>254,473,718</b>
<b>Equity</b>					
Ordinary shares	21	12,182	12,182	12,182	12,182
Retained (deficit) / earnings		(55,424,778)	(23,270,778)	11,057,366	10,913,304
Share premium		243,076,633	243,076,633	243,548,232	243,548,232
Other reserve		177,947	-	-	-
<b>Equity attributable to owners of the Company</b>		<b>187,841,984</b>	<b>219,818,037</b>	<b>254,617,780</b>	<b>254,473,718</b>
Non-controlling interests		(35,699)	-	-	-
<b>Total equity</b>		<b>187,806,285</b>	<b>219,818,037</b>	<b>254,617,780</b>	<b>254,473,718</b>

These financial statements were approved by the board of directors on 8 September 2020 and were signed on its behalf by:



**J Rann**

Director

Registered number 6231628

Notes on pages 16 to 48 form part of the financial statements

**Statement of changes in equity  
for the year ended 31 March 2020**

Group	Share Capital £	Share Premium £	Retained Earnings £	Other Reserve <sup>1</sup> £	Non- controlling Interests £	Total Equity £
Balance at 1 April 2019	12,182	243,076,633	(23,270,778)	-	-	219,818,037
Partial disposal of subsidiary	-	-	-	-	400	400
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	(32,154,000)	-	(154,731)	(32,308,731)
Equity settled share based payment transactions	-	-	-	177,947	118,632	296,579
<b>Balance at 31 March 2020</b>	<b>12,182</b>	<b>243,076,633</b>	<b>(55,424,778)</b>	<b>177,947</b>	<b>(35,699)</b>	<b>187,806,285</b>
Balance at 1 April 2018	4,218	73,084,597	(12,268,366)	-	-	60,820,449
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	(11,002,412)	-	-	(11,002,412)
Share capital issued	7,964	169,992,036	-	-	-	170,000,000
<b>Balance at 31 March 2019</b>	<b>12,182</b>	<b>243,076,633</b>	<b>(23,270,778)</b>	<b>-</b>	<b>-</b>	<b>219,818,037</b>
<b>Company</b>						
	Share Capital £	Share Premium £	Retained Earnings £	Other Reserve £	Non- controlling Interests £	Total Equity £
Balance at 1 April 2019	12,182	243,548,232	10,913,304	-	-	254,473,718
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	144,062	-	-	144,062
<b>Balance at 31 March 2020</b>	<b>12,182</b>	<b>243,548,232</b>	<b>11,057,366</b>	<b>-</b>	<b>-</b>	<b>254,617,780</b>
Balance at 1 April 2018	4,218	73,556,196	13,404,217	-	-	86,964,631
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	(2,490,913)	-	-	(2,490,913)
Share capital issued	7,964	169,992,036	-	-	-	170,000,000
<b>Balance at 31 March 2019</b>	<b>12,182</b>	<b>243,548,232</b>	<b>10,913,304</b>	<b>-</b>	<b>-</b>	<b>254,473,718</b>

Notes on pages 16 to 48 form part of the financial statements

<sup>1</sup> The 'Other Reserve' relates to a share based payment reserve of a subsidiary reflecting equity settled share based payment transactions within that subsidiary which is partly owned by non-controlling interests. Equity settled share based payments are recognised as an increase to non-controlling interests to the extent that the transactions recognised in the statement of comprehensive income are attributable to non-controlling interests, and an increase in 'Other reserve' to the extent that the transactions recognised in the statement of comprehensive income are attributable to the owners of the Company.

**Statement of cash flows**  
**for the year ended 31 March 2020**

	Group 2020	Group 2019	Company 2020	Company 2019
<b>Cash flows from operating activities</b>				
(Loss) / profit after taxation	(32,308,731)	(11,002,412)	144,062	(2,556,441)
<b>Adjustments for:</b>				
Taxation	(3,929,082)	(436,500)	-	-
Changes in fair value of derivative financial instruments	1,889,719	-	1,889,719	-
Changes in fair value of investment properties	17,496,556	(1,379,736)	-	-
Depreciation	2,291,790	1,470,019	-	-
Impairment of inventories	3,129,350	-	-	-
Bank interest income	(54,029)	(110,778)	(39,555)	(103,230)
Net finance expense / (income)	2,931,103	6,217,417	(14,465,826)	27,237,620
Net exchange gains	(1,621,280)	-	(1,620,688)	-
Equity settled share based payments	296,579	-	-	-
<b>Operating cash flows before movements in working capital</b>	<b>(9,878,025)</b>	<b>(5,241,990)</b>	<b>(14,092,288)</b>	<b>24,577,949</b>
<b>Adjustments for working capital movements</b>				
Decrease / (Increase) in trade and other receivables and contract assets	6,765,430	(17,645,823)	(195,548)	(2,936,098)
Increase in inventories	(7,842,552)	(75,728,990)	-	-
(Decrease) / Increase in trade and other payables, deferred income and contract liabilities	(16,666,492)	3,564,325	916,029	11,020,434
Increase in provisions	6,668,669	5,742,022	-	-
<b>Net cash (used in) / generated from operations</b>	<b>(20,952,970)</b>	<b>(89,310,456)</b>	<b>(13,371,807)</b>	<b>32,662,285</b>
Tax refunded / (paid)	244,459	(2,953,953)	-	(840,000)
<b>Net cash (used in) / generated from operating activities</b>	<b>(20,708,511)</b>	<b>(92,264,409)</b>	<b>(13,371,807)</b>	<b>31,822,285</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(7,285,502)	(1,568,862)	-	-
Additions to investment properties	(3,750,690)	-	-	-
Loans advanced to third parties	(9,000,000)	-	-	-
Placement of restricted bank deposits	(2,796,179)	(2,976,978)	-	-
Withdrawals of restricted bank deposits	2,976,978	-	-	-
Cash received from derivative financial instruments	4,043,324	-	4,043,324	-
Net advances to subsidiary companies	-	-	(5,004,512)	(84,859,732)
Acquisition of additional interest in subsidiaries	-	-	-	(12,000,000)
Interest received	54,029	110,778	39,555	103,230
<b>Net cash used in investing activities</b>	<b>(15,758,040)</b>	<b>(4,435,062)</b>	<b>(921,633)</b>	<b>(96,756,502)</b>
<b>Cash flows from financing activities</b>				
Proceeds from shareholder loans	-	11,896,664	-	11,898,505
Repayments of shareholder loans	(4,863,944)	(173,375,000)	(4,863,944)	(173,375,000)
Proceeds from third party loans	212,323,481	159,755,800	75,464,999	-
Repayments of third party loans	(146,355,620)	(126,097,633)	(36,216,711)	-
Repayments of lease liabilities	(335,742)	-	-	-
Finance costs paid	(6,911,366)	(5,003,046)	(394,430)	(12,747)
Share capital issued	-	170,000,000	-	170,000,000
<b>Net cash generated from financing activities</b>	<b>53,856,809</b>	<b>37,176,785</b>	<b>33,989,914</b>	<b>8,510,758</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>17,390,258</b>	<b>(59,522,686)</b>	<b>19,696,474</b>	<b>(56,423,459)</b>
Effect of foreign exchange rate changes	(352,386)	-	(352,386)	-
Cash and cash equivalents at 1 April	17,195,330	76,718,016	13,389,722	69,813,181
<b>Cash and cash equivalents at 31 March</b>	<b>34,233,202</b>	<b>17,195,330</b>	<b>32,733,810</b>	<b>13,389,722</b>



**Reconciliation of liabilities arising from financing activities**

	Group 2019 £	Recognition of lease liability £	Cash Flows £	Non-cash changes £	Group 2020 £
Shareholder loans	399,704,565	-	(4,863,944)	18,630,484	413,471,105
Third party loans	322,856,298	-	65,967,861	9,261,582	398,085,741
Lease liability	-	492,811	(335,742)	14,568	171,637
	<u>722,560,863</u>	<u>492,811</u>	<u>60,768,175</u>	<u>27,906,634</u>	<u>811,728,483</u>

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

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

Non-cash changes on lease liability relate to interest expense on the lease liability using the effective interest method.

	Group 2018 £	Recognition of lease liability £	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
	<u>800,408,142</u>	<u>-</u>	<u>(127,820,169)</u>	<u>49,972,890</u>	<u>722,560,863</u>

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 16 Leases* has been applied. Changes to significant accounting policies are described on pages 17-18.

#### ***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 partly due to marketing costs which are recognised as incurred before the associated revenue is recognised and to finance costs on shareholder loans.

The Group has prepared cash flow forecasts for the 24 months ending 31 March 2022 which indicate that, based on current forecasts, the Group will be satisfactorily cash generative going forward. This includes the repayment of £176,275,166 of third party loans within the next 12 months.

Since the start of January 2020, the outbreak of coronavirus, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction of its ultimate impact, which may have a continued adverse impact on economic and market conditions and a period of global economic slowdown. When assessing the ability of the Company to operate as a going concern, the directors have applied additional caution to assumptions of the key inputs of the cash flow forecasts and have reviewed sensitivities around possible 'worst case' scenarios.

The Group and Company are dependent for their working capital on funds provided by the Company's immediate parent company Knight Dragon Limited. Knight Dragon Limited has indicated its intention not to seek repayment of the amounts due until the Company is in a position to do so 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

## Notes to the financial statements (*continued*)

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 their 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.

### ***Significant judgements, estimates and assumptions***

The preparation of financial statements under IFRSs requires the directors 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 directors 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 directors have 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.

### ***Measurement of fair values***

A number of the Group's accounting policies require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- 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

Further information about the assumptions made in the measuring of fair values is included in the relevant notes:

- Note 8 - Investment properties
- Note 23 - Fair values of financial instruments

### ***Changes in significant accounting policies***

The Group has applied IFRS 16 Leases for the financial reporting period commencing 1 April 2019. As a result, the Group has changed its policy for lease contracts as detailed below.

### ***Definition of a lease***

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 1 Leases. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4

## Notes to the financial statements (*continued*)

were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

### *As lessee*

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying assets. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

At transition on 1 April 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at that date. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities with a lease term, at the commencement date, of 12 months or less;
- Applied the exemption not to recognise right-of-use assets and liabilities on low value assets;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### *As lessor*

The Group was not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

### *Impact on the financial statements*

The effect of initially applying the standard is mainly attributed to the following:

- (a) Recognition of a lease liability equal to the present value of future cashflows arising from operating leases
- (b) Recognition of a right-of-use asset, initially equal to the lease liability
- (c) No longer recognising operating lease payments as an expense in the statement of comprehensive income
- (d) Recognising an interest expense using the effective interest method on the lease liability
- (e) Recognising a depreciation charge on the right-of-use asset on a straight-line basis over the remaining lease term

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The group has chosen to recognise the right-of-use assets at an amount equal to the lease liability at the date of initial application and as such there is no adjustment to the opening balance of retained earnings upon initial application of IFRS 16.

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

The impact on the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows of applying IFRS 16 is not considered to be material to the financial statements and therefore the Company has not included the disclosures specified in IFRS16(C12-13).

### *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

## Notes to the financial statements (*continued*)

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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset.

The Company's investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends receivable.

### **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.

### **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 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.

## Notes to the financial statements (*continued*)

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.

### ***Business combinations***

The Group accounts for acquisition of inventories-owning entities 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***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and, where applicable, borrowing costs. After initial recognition, investment property is carried at fair value. Changes in fair value are recognised in profit or loss.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

If there is a change of use from property held as inventory to investment property, it is reclassified to investment property. Any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in profit or loss.

### ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit or loss during the financial period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

All direct costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period, are capitalised as the costs of the assets.

No depreciation is provided on assets under construction until such time when the relevant assets are completed and available for intended use. Depreciation is charged to the consolidated statement of comprehensive income once those assets are completed.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period.

## Notes to the financial statements (*continued*)

The following depreciation rates are used by the Group:

Category	Useful Life	Depreciation method
IT assets	3 years	Straight line
Furniture & fittings	10 years	Straight line
Heat network and related assets	15 years – 50 years	Straight line
Main Energy Centre	15 years – 50 years	Straight line
Buildings	8.5 years	Straight line
Right-of-use assets	1.75 years	Straight line

### ***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 development 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 it will be transferred to the consolidated statement of comprehensive income.

Total costs allocated to each development plot will include those directly attributable to that development plot 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 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.

### ***Financial instruments***

#### ***Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### ***Classification and subsequent measurement of financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI"); or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## Notes to the financial statements (*continued*)

Debt instrument financial assets subsequent to initial recognition are measured as follows:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

**FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVTPL using fair value option, are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss in the period in which it arises.

### *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model applies to debt instruments measured at amortised cost and at FVOCI, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards to other receivables, loan receivables, and certain other financial assets the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

### *Classification and subsequent measurement of financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss. The Group does not designate any derivative financial instruments as hedging instruments.

### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.



## Notes to the financial statements (*continued*)

### ***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 if the revenue is within the scope of IFRS 15, otherwise the amounts are classified as deferred income in the statement of financial position. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances, call deposits and bank overdrafts. 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.

### ***Leases***

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into on or after 1 April 2019.

#### ***As lessee (policy applicable from 1 April 2019)***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Notes to the financial statements (*continued*)

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### *As lessee (policy applicable before 1 April 2019)*

Assets held under operating leases were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense over the term of the lease.

### *As lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

The accounting policies applicable to the Group as a lessor in the period before 1 April 2019 were not different from those applied under IFRS 16.

### ***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 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.

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 is 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:

## Notes to the financial statements (*continued*)

- 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.

### ***Share-based payment transactions***

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Goods and services received or acquired as part of an equity settled share-based payment arrangement are recognised when it obtains the goods or as the services are received and a corresponding increase in equity is recognised. When goods or services received or acquired do not qualify for recognition as assets, they are recognised as expenses in the consolidated statement of comprehensive income.

Goods and services received or acquired are measured at the fair value of the goods or services received unless the fair value cannot be reliably measured. If the fair value cannot be reliably measured, the goods or services received are measured by reference to the fair value of the equity instruments granted.

Where the share-based payment is conditional on non-market vesting conditions, the value of goods and services received during the vesting period is based on the best available estimate of the number of equity instruments expected to vest. This estimate is revised, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the estimate is adjusted to be equal to the number of equity instruments ultimately vested such that on a cumulative basis no amount is recognised for goods or services received if the equity instruments do not vest because of a failure to satisfy a vesting condition.

### ***Adopted IFRSs not yet applied***

There are no Adopted IFRSs that have been issued which would be expected to have a material effect on the Group and Company financial statements but have not been applied to these financial statements.

## Notes to the financial statements (continued)

### 2. Revenue

#### (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	2020 £	2019 £
Revenue from contracts with customers	140,683,078	150,006,207
Other revenue and income	1,339,352	2,141,656
<b>Total revenue and other income</b>	<b>142,022,430</b>	<b>152,147,863</b>
<b>Presented in the consolidated statement of comprehensive income as:</b>		
Revenue	141,518,430	150,197,623
Other income	504,000	1,950,240
<b>Total revenue and other income</b>	<b>142,022,430</b>	<b>152,147,863</b>

#### (B) Disaggregation of revenue from contracts with customers

Group	2020 £	2019 £
Sale of residential properties	136,320,150	145,469,532
Heat network connection fee income	1,298,400	1,808,322
Other revenue	146,129	149,510
<b>Total revenue recognised at a point in time</b>	<b>137,764,679</b>	<b>147,427,364</b>
Sale of heat and electricity	2,035,460	1,780,784
Other revenue	882,939	798,059
<b>Total revenues recognised over time</b>	<b>2,918,399</b>	<b>2,578,843</b>
<b>Total revenue from contracts with customers</b>	<b>140,683,078</b>	<b>150,006,207</b>

#### (C) Contract balances

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

Group	2020 £	2019 £
Receivables, which are included in 'trade and other receivables'	334,098	1,064,690
Contract assets	172,482	2,894,280
Contract liabilities	(227,136)	(4,070,311)
<b>Net contract balances</b>	<b>279,444</b>	<b>(111,341)</b>

Contract assets at 31 March 2020 primarily relate to the Group's right to consideration due but not yet received on the sale of heat and electricity. Contract assets at 31 March 2019 related primarily to the Group's right to consideration due but not yet received on the sale of residential properties.

Contract liabilities primarily relate to the advance consideration received from customers for residential property and the supply of heat for which revenue has not yet been recognised because the relevant performance obligations have not yet been satisfied. This will be recognised as revenue once sale of the properties is complete and the supply of heat has been made against these advance payments, which is expected to be within 12 months of the reporting date.

## Notes to the financial statements (continued)

### (D) Performance obligations and revenue recognition policies

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy
<b>Sale of residential property</b>	<p>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.</p> <p>Full consideration is received on or very shortly after the date of completion of the sale.</p> <p>Reservation and exchange deposits received in advance of completion are not deemed to constitute a significant financing component.</p>	Revenue from the sale of residential units is recognised at a point in time at completion of the sale.
<b>Sale of land options</b>	<p>Performance obligations are generally satisfied at the time that the contract with the customer is completed and control of the land is transferred.</p> <p>Payment is typically due on completion.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Heat Network connection fee income</b>	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.
<b>Sale of heat and electricity</b>	<p>Invoices for the sale of heat and electricity are issued on a monthly basis and are typically payable within 30 days.</p> <p>Some customers also pay in advance of actual usage.</p> <p>The performance obligation is satisfied when the heat or electricity is consumed by the customer.</p>	<p>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.</p> <p>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.</p>

## Notes to the financial statements (continued)

### 3. Other (losses)/gains

	2020 £	2019 £
Fair value losses on investment property	(17,496,556)	-
Impairment of inventories	(3,129,350)	-
Impairment of capital contributions on investment properties	(2,838,417)	-
Net foreign exchange losses	(269,217)	-
Expected credit losses	(42,934)	-
	<u>(23,776,474)</u>	<u>-</u>

### 4. Remuneration of directors

	2020 £	2019 £
<b>All directors</b>		
Directors' emoluments and pensions	<u>2,205,305</u>	<u>2,053,647</u>
<b>Highest paid director</b>		
Directors' emoluments and pensions	<u>951,151</u>	<u>809,356</u>

### 5. Operating profit includes the following:

#### 5a. Administrative expenses

	2020 £	2019 £
Employment costs	8,261,352	7,594,092
Establishment and office running costs	3,694,137	3,225,034
Professional fees	815,562	421,626
Depreciation	2,291,790	1,470,019
Costs charged to inventory	(7,177,574)	(8,573,761)
	<u>7,885,267</u>	<u>4,137,010</u>

#### 5b. Staff numbers and costs

The Group employed an average of 84 employees during the financial year (2019: 75). All employees are considered to be a single category of professional staff.

Administrative costs include the following staff costs:

	2020 £	2019 £
Wages and salaries	6,787,530	6,291,085
National insurance	863,404	796,230
Pension costs	422,144	391,943
Staff benefits	188,274	114,834
	<u>8,261,352</u>	<u>7,594,092</u>

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 (2019: £nil).

## Notes to the financial statements (continued)

### 5c. Expenses and auditor's remuneration

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts paid to the auditor for audit services	<u>128,000</u>	<u>115,000</u>	<u>11,300</u>	<u>10,000</u>

There were no non-audit fees paid to the auditor (2019: none).

### 6. Finance income and expense

Recognised in the consolidated statement of comprehensive income:

	2020 £	2019 £
Other interest revenue	153,054	28,816
Bank interest received	54,029	110,778
Interest paid on bank and other borrowings	(1,881,755)	(948,587)
Shareholder loan interest	(1,049,348)	(5,268,830)
<b>Net finance expense</b>	<u><b>(2,724,020)</b></u>	<u><b>(6,077,823)</b></u>

### 7. Taxation

Recognised in the consolidated statement of comprehensive income:

Group	2020 £	2019 £
Adjustments in respect of prior financial years	(33,848)	1,043,389
Deferred tax movement	4,214,170	(606,889)
Payments for group relief to related companies	(251,240)	-
<b>Total taxation</b>	<u><b>3,929,082</b></u>	<u><b>436,500</b></u>
<b>Reconciliation of effective tax rate:</b>	<b>2020 £</b>	<b>2019 £</b>
Loss before taxation	(36,237,813)	(11,438,912)
Tax using the UK corporation tax rate of 19% (2019: 19%)	<u>6,885,184</u>	<u>2,173,393</u>
Adjustments in respect of prior financial years	(33,848)	1,043,389
Payments for group relief to related companies	(251,240)	-
Non-tax deductible finance costs	(2,655,809)	(2,785,412)
Other tax adjustments	(126,333)	(66,270)
Change in tax rate	111,128	71,400
<b>Total tax in the consolidated statement of comprehensive income</b>	<u><b>3,929,082</b></u>	<u><b>436,500</b></u>

A reduction in the UK Corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 but was subsequently reversed in the 2020 Budget with the UK Corporation tax rate remaining at 19% for years starting on 1 April 2020. The change will affect the Group corporation tax liability in future years accordingly.

## Notes to the financial statements (continued)

### 8. Investment properties

Investment properties at 31 March 2020 and 31 March 2019 relate to residential property held to generate long term rental income and capital appreciation, commercial properties held to generate rental income and properties under construction which will be held to generate rental income once complete.

Group 31 March 2020	Completed investment properties £	Investment properties under development £	Total £
At 1 April 2019	13,292,317	-	13,292,317
Reclassification from inventories	149,515,365	4,242,668	153,758,033
Additions	1,188,145	3,158,060	4,346,205
Changes in fair value	(10,275,828)	(7,220,728)	(17,496,556)
<b>At 31 March 2020</b>	<b>153,719,999</b>	<b>180,000</b>	<b>153,899,999</b>
Group 31 March 2019	Completed investment properties £	Investment properties under development £	Total £
At 1 April 2018	8,987,317	-	8,987,317
Reclassification from inventories	2,925,263	-	2,925,263
Changes in fair value	1,379,737	-	1,379,737
<b>At 31 March 2019</b>	<b>13,292,317</b>	<b>-</b>	<b>13,292,317</b>

At 31 March 2020, the aggregate fair value investment properties pledged as securities for the Group's borrowings amounted to £148,915,000 (2019: £8,987,317).

#### Valuation processes of the Group

The Group measures its investment properties at fair value. Where appropriate, the Group uses an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of investment property being valued. Where the costs of obtaining an independent valuation outweigh the benefits of doing so the directors, together with appropriate senior members of staff, assess the fair value of the investment property.

#### Valuation Techniques

The fair value of completed residential investment properties is generally derived by using the direct comparison method. Fair value of completed retail properties is generally derived by using the income capitalisation method and, wherever appropriate, by the direct comparison method.

The income capitalisation method is based on capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The direct comparison method is based on comparing the property to be valued directly with other comparable properties which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties under development is derived using the residual method. The residual method is essentially a means of valuing the completed properties by reference to their development potential



## Notes to the financial statements (continued)

by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

In respect of the external valuations undertaken in March 2020, all valuers are including the following (or similar) industry standard material valuation uncertainty clause in their reports:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the subject property under frequent review."*

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The directors are satisfied that the valuations are a reasonable representation of property values in the circumstances known and evidence available at the reporting date. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

### Fair value hierarchy

At 31 March 2020 and 31 March 2019, all investment properties are included in level 3 in the fair value hierarchy.

Information about fair value measurements using significant unobservable inputs:

Group 31 March 2020	Range of significant unobservable inputs				
	Fair Value £	Valuation techniques	Prevailing market rate	Capitalisation rate	Estimated developers profit and risk margin
Residential properties	148,735,000	Direct comparison	£800-£1,000 per square foot (capital value)	N/A	N/A
Retail properties	4,984,999	Income capitalisation	£15-£28 per square foot (annual rental value)	6% - 7%	N/A
Commercial properties under development	180,000	Residual value	N/A	N/A	15%
Total	153,899,999				

## Notes to the financial statements (continued)

Group 31 March 2019	Fair Value £	Valuation techniques	Range of significant unobservable inputs		
			Prevailing market rate	Capitalisation rate	Estimated developers profit and risk margin
Residential properties	8,987,317	Direct comparison	£950-£1,100 per square foot (capital value)	N/A	N/A
Retail properties	4,305,000	Income capitalisation	£15-£35 per square foot (annual rental value)	5% - 7%	N/A
<b>Total</b>	<b>13,292,317</b>				

There have been no transfers between Level 1 and Level 2 during 2020 (2019: no transfer), and no transfers into and out of Level 3 fair value measurements (2019: no transfers).

### Sensitivity analysis

Changes to key assumptions could impact both the consolidated statement of comprehensive income and the statement of financial position. The impact of changes to key assumptions is considered for the valuations of investment properties using a range of reasonable changes to the key inputs applicable to each asset category. The table below sets out potential impacts that may result from changes to those key inputs:

Group 31 March 2020	Category	Key input	Impact on statement of comprehensive income and statement of financial position	
			Increase in input	Decrease in input
	Residential properties	1% change in house prices	£1,487,350	(£1,487,350)
	Retail properties	0.5% change in capitalisation rate	(£485,000)	£550,000
	Commercial properties under development	1% change in estimated developers profit and risk margin	(£551,000)	£551,000

## 9. Investments in subsidiaries

Company	2020 £	2019 £
Investments in subsidiaries at 1 April	39,567,428	27,567,533
Additions	5	12,000,000
Disposals	-	(105)
<b>Investments in subsidiaries at 31 March</b>	<b>39,567,433</b>	<b>39,567,428</b>

## Notes to the financial statements (continued)

### List of the Company's subsidiaries:

Name of subsidiary	Country of incorporation	Class of shares held	Ownership % 2020	Ownership % 2019
Knight Dragon Developments Limited	UK	Ordinary	100%	100%
Knight Dragon Infrastructure Limited	UK	Ordinary	100%	100%
Knight Dragon Overriding Lease Company Limited	UK	Ordinary	100%	100%
Knight Dragon M0114A Limited	UK	Ordinary	100%	100%
Knight Dragon M0114B Limited	UK	Ordinary	100%	100%
Knight Dragon M0114 LLP <sup>5</sup>	UK	n/a	100%	100%
Peninsula Quays Limited	UK	Ordinary	100%	100%
Knight Dragon Meridian Limited	UK	Ordinary	100%	100%
Knight Dragon (N0205) Limited	UK	Ordinary	100%	100%
Knight Dragon M0115 Limited	UK	Ordinary	100%	100%
Knight Dragon M0117 Limited	UK	Ordinary	100%	100%
Knight Dragon N0206 Limited	UK	Ordinary	100%	100%
Greenwich Peninsula ESCO Limited	UK	Ordinary	100%	100%
Loka Energy Limited <sup>6</sup>	UK	Ordinary	100%	100%
Knight Dragon M0103 Limited	UK	Ordinary	100%	100%
Knight Dragon M0104 Limited	UK	Ordinary	100%	100%
Knight Dragon M0121 Limited	UK	Ordinary	100%	100%
Knight Dragon M0116 Limited	UK	Ordinary	100%	100%
Knight Dragon Peninsula Place Limited	UK	Ordinary	100%	100%
Knight Dragon 18.02 Limited	UK	Ordinary	100%	100%
Knight Dragon 18.03 Limited	UK	Ordinary	100%	100%
Knight Dragon 19.04 Limited	UK	Ordinary	100%	100%
Knight Dragon 19.05 Limited	UK	Ordinary	100%	100%
Knight Dragon Finance Limited	UK	Ordinary	100%	100%
GP Meridian Events Limited	UK	Ordinary	100%	100%
Greenwich Peninsula Lettings Limited	UK	Ordinary	100%	100%
Greenwich Peninsula Sales Limited	UK	Ordinary	100%	100%
Knight Dragon Strategic Investments Limited	UK	Ordinary	100%	100%
Knight Dragon Special Projects Limited	UK	Ordinary	100%	100%
GP Upper Riverside District Manco Limited	UK	Ordinary	100%	100%
GP Lower Riverside District Manco Limited	UK	Ordinary	100%	100%
Knight Dragon Services Limited	UK	Ordinary	100%	100%
Design District Limited	UK	Ordinary	100%	100%
Knight Dragon N0206 Residential Limited	UK	Ordinary	100%	100%
Knight Dragon Ventures Limited	UK	Ordinary	100%	100%
Greenwich River Limited <sup>7</sup>	UK	Ordinary	60%	100%
Knight Dragon N0205 Residential Limited	UK	Ordinary	100%	-
Upper Riverside Residential Limited	UK	Ordinary	100%	-
Knight Dragon Residential Overriding Lease Company Limited	UK	Ordinary	100%	-
Greenwich Peninsula Property Management Limited	UK	Ordinary	100%	-
Upper Riverside B3 Limited	UK	Ordinary	100%	-

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

<sup>5</sup> Knight Dragon M0114A Limited and Knight Dragon M0114B Limited are each 50% partners in Knight Dragon M0114 LLP

<sup>6</sup> The investment in Loka Energy Limited is held by Greenwich Peninsula ESCO Limited

<sup>7</sup> The investment in Greenwich River Limited is held by Knight Dragon Developments Limited

## Notes to the financial statements (continued)

### 10. Property, plant and equipment

Group	Main Energy Centre £'000	Heat network and related assets £'000	Construction in Progress £'000	IT assets and Fixtures & Fittings £'000	Buildings £'000
<b>Cost</b>					
At 1 April 2019	23,906	17,913	1,197	1,260	-
Recognition on initial application of IFRS 16	-	-	-	-	-
Adjusted balance at 1 April 2019	23,906	17,913	1,197	1,260	-
Additions	181	289	2,580	352	4,013
Reclassified from inventories	-	-	-	-	2,416
Transfer in the year	-	4	(4)	-	-
<b>At 31 March 2020</b>	<b>24,087</b>	<b>18,206</b>	<b>3,773</b>	<b>1,612</b>	<b>6,429</b>
<b>Accumulated Depreciation</b>					
At 1 April 2019	(1,604)	(1,230)	-	(498)	-
Charge for the year	(724)	(565)	-	(234)	(440)
<b>At 31 March 2020</b>	<b>(2,328)</b>	<b>(1,795)</b>	<b>-</b>	<b>(732)</b>	<b>(440)</b>
<b>Net Book Value</b>					
At 1 April 2019	22,302	16,683	1,197	762	-
Movement in year	(543)	(272)	2,576	118	5,989
<b>At 31 March 2020</b>	<b>21,759</b>	<b>16,411</b>	<b>3,773</b>	<b>880</b>	<b>5,989</b>

## Notes to the financial statements (continued)

Group	Main Energy Centre £'000	Heat network and related assets £'000	Construction in progress £'000	IT assets and Fixtures & Fittings £'000	Total £'000
<b>Cost</b>					
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)	-	-
<b>At 31 March 2019</b>	<b>23,906</b>	<b>17,913</b>	<b>1,197</b>	<b>1,260</b>	<b>44,276</b>
<b>Accumulated Depreciation</b>					
At 1 April 2018	(886)	(689)	-	(287)	(1,862)
Charge for the year	(718)	(541)	-	(211)	(1,470)
<b>At 31 March 2019</b>	<b>(1,604)</b>	<b>(1,230)</b>	<b>-</b>	<b>(498)</b>	<b>(3,332)</b>
<b>Net Book Value</b>					
At 1 April 2018	22,923	15,771	1,245	906	40,845
Movement in year	(621)	912	(48)	(144)	99
<b>At 31 March 2019</b>	<b>22,302</b>	<b>16,683</b>	<b>1,197</b>	<b>762</b>	<b>40,944</b>

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

## Notes to the financial statements (continued)

### 11. Amounts due from subsidiaries

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Loans to subsidiaries	-	-	628,195,365	589,358,649

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

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 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.

### 12. Deferred tax assets and liabilities – Group

Recognised deferred tax assets/(liabilities) are attributable to the following:

	2020 £	2019 £
Accelerated capital allowances	(1,508,569)	(1,172,651)
Fair value of investment properties	-	(234,555)
<b>Deferred tax liabilities</b>	<b>(1,508,569)</b>	<b>(1,407,206)</b>
Tax value of loss carried forward	2,669,880	2,706,864
Fair value of investment properties	3,062,196	-
Other temporary timing differences	935,252	-
<b>Deferred tax assets</b>	<b>6,667,328</b>	<b>2,706,864</b>
<b>Net deferred tax assets</b>	<b>5,158,759</b>	<b>1,299,658</b>

Movement in deferred tax during the year:

	1 April 2019 £	Prior year adjustments £	Current year movement £	31 March 2020 £
Accelerated capital allowances	(1,172,651)	(30,782)	(305,136)	(1,508,569)
Fair value of investment properties	(234,555)	-	3,296,751	3,062,196
Tax value of loss carried forward	2,706,864	(324,287)	287,303	2,669,880
Other temporary timing differences	-	-	935,252	935,252
<b>Net deferred tax assets</b>	<b>1,299,658</b>	<b>(355,069)</b>	<b>4,214,170</b>	<b>5,158,759</b>

	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
<b>Net deferred tax assets</b>	<b>1,563,067</b>	<b>343,481</b>	<b>(606,890)</b>	<b>1,299,658</b>

## Notes to the financial statements (continued)

### 13. Financial assets at FVTPL

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Unlisted convertible loan notes	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Refer to note 23 for further information about the fair value of financial assets at FVTPL.

### 14. Inventories

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Work in progress	513,692,429	843,088,287	-	-
Completed properties held for sale	207,374,471	-	-	-
	<u>721,066,900</u>	<u>843,088,287</u>	<u>-</u>	<u>-</u>

Inventories include capitalised interest costs in the year of £29,439,175 (2019: £33,472,270). 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 3.9% (2019: 3.5%) per annum. 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 £136,374,531 (2019: £146,551,676).

The carrying value of inventories pledged as security against third party borrowings amounted to £554,060,795 at 31 March 2020 (2019: £537,861,462).

### 15. Trade and other receivables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade receivables	334,098	1,064,690	-	-
VAT receivables	727,582	5,389,596	-	-
Amounts due from related parties	-	-	18,487,752	22,051,232
Other receivables	7,571,934	17,502,184	3,696,134	8,339
Prepayments and accrued income	48,476,154	35,861,031	71,233	-
Lease incentives	253,282	1,671,895	-	-
Corporation tax receivable	1,691,267	1,614,505	840,000	840,000
<b>Total trade and other receivables</b>	<u>59,054,317</u>	<u>63,103,901</u>	<u>23,095,119</u>	<u>22,899,571</u>

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 23 for further information.

## Notes to the financial statements (continued)

### 16. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	34,233,202	17,195,330	32,733,810	13,389,722
Restricted cash at bank	2,796,179	2,976,978	-	-
<b>Total cash at bank and in hand</b>	<b>37,029,381</b>	<b>20,172,308</b>	<b>32,733,810</b>	<b>13,389,722</b>
Restricted cash at bank	(2,796,179)	(2,976,978)	-	-
<b>Cash and cash equivalents per the statement of cash flows</b>	<b>34,233,202</b>	<b>17,195,330</b>	<b>32,733,810</b>	<b>13,389,722</b>

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.

### 17. Trade and other payables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade payables	701,522	15,910,413	-	-
Amounts due to related parties	-	-	11,875,334	9,928,855
Other payables	1,539,491	1,188,434	-	-
Accruals	6,172,810	3,592,024	419,813	1,108,232
	<b>8,413,823</b>	<b>20,690,871</b>	<b>12,295,147</b>	<b>11,037,087</b>

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

### 18. Deferred Income

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
<b>Current</b>				
Deferred rental income	192,056	-	-	-
Grant from the Royal Borough of Greenwich	140,000	140,000	-	-
<b>Deferred income classified as current liabilities</b>	<b>332,056</b>	<b>140,000</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
Grant from the Royal Borough of Greenwich	6,405,000	6,545,000	-	-
<b>Deferred income classified as non-current liabilities</b>	<b>6,405,000</b>	<b>6,545,000</b>	<b>-</b>	<b>-</b>
<b>Total deferred income</b>	<b>6,737,056</b>	<b>6,685,000</b>	<b>-</b>	<b>-</b>

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's useful life of 50 years.

### 19. Provisions

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Provision for future costs	17,638,594	10,969,925	-	-

The provision relates to future development and rectification costs which have been provided for at the reporting date.



## Notes to the financial statements (continued)

### 20. 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 23.

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
<b>Current</b>				
Third Party Loans	176,275,166	172,640,701	41,317,976	-
Lease liability	171,637	-	-	-
<b>Loans and borrowings classified as current liabilities</b>	<b>176,446,803</b>	<b>172,640,701</b>	<b>41,317,976</b>	<b>-</b>
<b>Non-current</b>				
Loan from shareholders	413,471,105	399,704,565	413,471,105	399,704,565
Third Party Loans	221,810,575	150,215,597	-	-
<b>Loans and borrowings classified as non-current liabilities</b>	<b>635,281,680</b>	<b>549,920,162</b>	<b>413,471,105</b>	<b>399,704,565</b>
<b>Total loans and borrowings</b>	<b>811,728,483</b>	<b>722,560,863</b>	<b>454,789,081</b>	<b>399,704,565</b>

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 3.9% per annum (2019: 3.75% per annum). The loan facilities have varying lengths of maturity with £176,275,166 (2019: £172,640,701) being due to within twelve months. Refer to note 23 for more information.

Third party loans are secured on the inventory and investment properties of the respective subsidiary.

### 21. Share capital

Company	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
Ordinary A shares of £0.001 each	10,495	10,495
Ordinary B shares of £0.001 each	1,687	1,687
	<b>12,182</b>	<b>12,182</b>

#### Number of shares in issue

	2020		2019	
	Ordinary A shares Number	Ordinary B shares Number	Ordinary A shares Number	Ordinary B shares Number
Number of shares at 1 April	10,494,809	1,687,142	2,530,713	1,687,142
Share capital issued	-	-	7,964,096	-
Number of shares at 31 March	<b>10,494,809</b>	<b>1,687,142</b>	<b>10,494,809</b>	<b>1,687,142</b>

In the prior year, 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)

### 22. Derivative financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Foreign currency forward contracts	<u>1,889,719</u>	<u>-</u>	<u>1,889,719</u>	<u>-</u>

The total notional principal amounts of the outstanding derivative financial instruments at 31 March 2020 was £32,211,741 (2019: Enil).

### 23. Financing Arrangements and Financial Instruments

#### (a) Fair values of financial instruments

All instruments recognised in 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.

#### Financial instruments at FVTPL

Cost has been determined to be the most appropriate estimate of fair value of unlisted convertible loan notes because there is limited information available to determine fair value and a wide range of possible fair value measurements and cost represents the best estimate within that range.

Foreign currency forward contracts have been measured at fair value, as advised by the Group's foreign currency broker, being the fair value of the contract at 31 March 2020 based on observable market exchange rates.

The following table shows the carrying amounts and fair values of financial instruments held at FVTPL. It does not include information about financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Fair Value			
	Carrying Value	Level 1	Level 2	Level 3
	£	£	£	£
<b>Financial assets at FVTPL</b>				
Unlisted convertible loan notes	9,000,000	-	-	9,000,000
<b>Derivative financial instruments at FVTPL</b>				
Foreign currency forward contracts	(1,889,719)	-	(1,889,719)	-

## Notes to the financial statements (continued)

There have been no transfers between Level 1 and Level 2 during 2020 (2019: no transfer), and no transfers into and out of Level 3 fair value measurements (2019: no transfers).

Reconciliation of Level 3 fair values:

Group	2020 £	2019 £
Balance at 1 April	-	-
Additions	9,000,000	-
<b>Balance at 31 March</b>	<b>9,000,000</b>	<b>-</b>

There were no gains or losses recognised on financial instruments classified as level 3 of the fair value hierarchy (2019: £nil).

The following table shows the valuation techniques used for Level 2 and Level 3 fair values, as well as the significant unobservable inputs used for Level 3 items.

Financial instrument at FVTPL	Valuation technique	Significant unobservable inputs (Level 3 only)
Unlisted convertible loan notes	Cost has been determined to be the most appropriate estimate of fair value of unlisted convertible loan notes because there is limited information available to determine fair value and a wide range of possible fair value measurements and cost represents the best estimate within that range.	(a) Probability of conversion into equity securities (b) Fair value of the equity securities (c) Discount rate
Foreign currency forward contracts	The fair value of foreign currency forward contracts is based on broker quotes. These quotes are tested for reasonableness by comparing the movement in exchange rates between inception of the forward contract and the reporting date.	

### (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.

The Group recognises impairment on trade receivables and contract assets based on expected credit losses. The Group 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 Group 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:

31 March 2020	Weighted Average Loss rate	Gross carrying amount £	Expected credit loss allowance £	Net carrying amount £
Current (not past due)	1.9%	237,029	(4,547)	232,482
1-30 days past due	3.9%	24,453	(950)	23,503
31-60 days past due	4.8%	29,344	(1,401)	27,943
61-90 days past due	66.1%	33,934	(22,429)	11,505
91+ days past due	69.2%	125,567	(86,902)	38,665
<b>Total</b>	<b>25.8%</b>	<b>450,327</b>	<b>(116,229)</b>	<b>334,098</b>

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
<b>Total</b>	<b>6.4%</b>	<b>1,137,983</b>	<b>(73,293)</b>	<b>1,064,690</b>

Expected credit losses on contract assets were not material.

### Company

The Company does not make sales and so is not exposed to credit risk to any non-group entities.

### (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 2020	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash	0.5%-2%	37,029,381	37,029,381	-	-
Interest-bearing loans and borrowings	2.8% - 5.8%	811,728,483	677,517,935	20,210,548	114,000,000
31 March 2019	Effective interest rate	Total £	Less than one year £	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

## Notes to the financial statements (continued)

### Company

31 March 2020	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash	0.5%-2%	32,733,810	32,733,810	-	-
Interest-bearing loans and borrowings	2.8%-5.8%	454,789,081	454,789,081	-	-

31 March 2019	Effective interest rate	Total £	Less than one year £	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%	399,704,565	399,704,565	-	-

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 2020, it was estimated that a general increase of one percentage point in interest rates would increase the Group's interest payable by approximately £6,049,401 (2019: £6,394,820) based on the average outstanding balance of variable rate interest-bearing liabilities during the period.

At 31 March 2020, it was estimated that a general increase of one percentage point in interest rates would increase the Company's interest payable by approximately £4,272,468 (2019: £4,668,304) based on the average outstanding balance of variable rate 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.

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 2020	Carrying Amount £	Contractual Cash Flows £	Less than one year £	One to five years £	More than five years £
<b>Non derivative financial liabilities</b>					
Trade and other payables	2,241,013	2,241,013	2,241,013	-	-
Third party interest bearing loans	398,257,378	458,741,066	190,271,167	61,084,705	207,385,194
Shareholder interest bearing loans	413,471,105	413,471,105	-	-	413,471,105
	<u>813,969,496</u>	<u>874,453,184</u>	<u>192,512,180</u>	<u>61,084,705</u>	<u>620,856,299</u>
<b>Derivative financial liabilities</b>					
Foreign currency forward contracts	1,889,719	32,211,741	32,211,741	-	-
	<u>1,889,719</u>	<u>32,211,741</u>	<u>32,211,741</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<u>815,859,215</u>	<u>906,664,925</u>	<u>224,723,921</u>	<u>61,084,705</u>	<u>620,856,299</u>

Notes to the financial statements (continued)

<b>Group</b> <b>As at 31 March 2019</b>	<b>Carrying Amount £</b>	<b>Contractual Cash Flows £</b>	<b>Less than one year £</b>	<b>One to five years £</b>	<b>More than five years £</b>
<b>Non derivative financial liabilities</b>					
Trade and other payables	17,098,847	17,098,847	17,098,847	-	-
Third party interest bearing loans	322,856,298	372,134,455	183,130,975	39,111,873	149,891,607
Shareholder interest bearing loans	399,704,565	399,704,565	-	-	399,704,565
<b>Total</b>	<b>739,659,710</b>	<b>788,937,867</b>	<b>200,229,822</b>	<b>39,111,873</b>	<b>549,596,172</b>
<b>Company</b> <b>As at 31 March 2020</b>	<b>Carrying Amount £</b>	<b>Contractual Cash Flows £</b>	<b>Less than one year £</b>	<b>One to five years £</b>	<b>More than five years £</b>
<b>Non derivative financial liabilities</b>					
Trade and other payables	11,875,334	11,875,334	11,875,334	-	-
Third party interest bearing loans	41,317,976	41,317,976	41,317,976	-	-
Shareholder interest bearing loans	413,471,105	413,471,105	-	-	413,471,105
<b>Total</b>	<b>466,664,415</b>	<b>466,664,415</b>	<b>53,193,310</b>	<b>-</b>	<b>413,471,105</b>
<b>Derivative financial liabilities</b>					
Foreign currency forward contracts	1,889,719	32,211,741	32,211,741	-	-
	<b>1,889,719</b>	<b>32,211,741</b>	<b>32,211,741</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>468,554,134</b>	<b>498,876,156</b>	<b>85,405,051</b>	<b>-</b>	<b>413,471,105</b>
<b>Company</b> <b>As at 31 March 2019</b>	<b>Carrying Amount £</b>	<b>Contractual Cash Flows £</b>	<b>Less than one year £</b>	<b>One to five years £</b>	<b>More than five years £</b>
<b>Non derivative financial liabilities</b>					
Trade and other payables	9,928,855	9,928,855	9,928,855	-	-
Shareholder interest bearing loans	399,704,564	399,704,564	-	-	399,704,564
<b>Total</b>	<b>409,633,419</b>	<b>409,633,419</b>	<b>9,928,855</b>	<b>-</b>	<b>399,704,564</b>

## Notes to the financial statements (continued)

The directors of the Group and the Company consider the shareholder loans to be repayable in a period greater than five years (2019: 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 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 long-term shareholders' loans.

### 24. Contingencies and commitments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Construction, infrastructure and other works	<u>44,947,991</u>	<u>113,457,352</u>	<u>-</u>	<u>-</u>

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 2020 is mainly comprised of the build contract of investment property currently under construction, scheduled to be completed within the next 12 months. At 31 March 2019, commitments mainly consisted of the build contracts of housing and associated infrastructure, scheduled to be incurred over the following two years.

## Notes to the financial statements (continued)

### 25. Related party transactions

#### Transactions with subsidiaries

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

	2020	2019
	£	£
Knight Dragon Developments Limited	212,407,716	161,677,222
Knight Dragon Strategic Investments Limited	6,290,573	294,084
Knight Dragon Special Projects Limited	18,476,259	22,049,481
Greenwich Peninsula Lettings Limited	-	33,241
Greenwich Peninsula Sales Limited	-	6,358
Greenwich Peninsula ESCO Limited	14,305,718	14,506,182
Loka Energy Limited	6,219,658	4,743,000
Knight Dragon Peninsula Place Limited	11,216,895	10,425,417
Knight Dragon Meridian Limited	139,836,216	132,021,400
GP Meridian Events Limited	6,665,236	1,290,806
Knight Dragon 18.02 Limited	2,056,023	1,942,927
Knight Dragon 18.03 Limited	3,682,695	3,476,782
Knight Dragon 19.04 Limited	2,424,515	2,291,054
Knight Dragon 19.05 Limited	7,136,994	6,636,920
Knight Dragon M0116 Limited	187,886	95,640
Knight Dragon M0104 Limited	7,487	-
Knight Dragon (N0205) Limited	45,840,961	78,096,902
Knight Dragon N0206 Limited	140,196,560	153,634,123
Knight Dragon M0121 Limited	6,933,166	6,550,514
Peninsula Quays Limited	6,861,158	6,532,346
Knight Dragon M0114A Limited	935,845	935,845
Knight Dragon M0114B Limited	8,297	8,297
Design District Limited	14,992,267	4,159,586
Knight Dragon Ventures Limited	993	-
	<b>646,683,118</b>	<b>611,408,127</b>

During the year, the Company charged £33,832,776 (2019: £31,222,867) 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.

Also during the year, the Company made provisions for impairment of £12,965,655 (2019: £6,906,631) against loans to subsidiaries based on an assessment of recoverability at the reporting date. Total provisions made against loans to subsidiaries at 31 March 2020, including provisions made in prior financial years, amount to £19,872,286 (2019: £6,906,631).



## Notes to the financial statements (continued)

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

	2020	2019
	£	£
Knight Dragon M0115 Limited	1,177,738	1,180,031
Knight Dragon M0103 Limited	4,212,095	4,019,109
Knight Dragon M0117 Limited	2,402,719	2,407,348
Knight Dragon M0114 LLP	2,321,754	2,320,618
Knight Dragon Developments Limited	1,208,319	-
Greenwich Peninsula Lettings Limited	214,799	-
Greenwich Peninsula Sales Limited	337,507	-
Knight Dragon Finance Limited	400	-
Knight Dragon Services Limited	1	-
GP Lower Riverside District Manco Limited	1	-
GP Upper Riverside District Manco Limited	1	-
	<b>11,875,334</b>	<b>9,927,106</b>

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

### Transactions with the immediate parent company

At the year end existing loan stock of £154,681,660 (2019: £150,517,727) was owed to Knight Dragon Limited ("KDL"). Interest is charged quarterly at 3 month Libor + 2% per annum on all loan stock balances.

At the year end new loan stock of £258,789,445 (2019: £249,186,838) was owed to KDL. Interest is charged quarterly at 3 month Libor + 5% per annum on all loan stock balances.

### Transactions with other related parties – Company & Group

During the year, the Company has provided a guarantee of up to £5,100,000 (2019: £nil) against a loan of an entity controlled by the larger group within which the Company is a member, in exchange for a guarantee payment fee of 2% per annum. The amounts recognised as other income in relation to this guarantee fee amount to £71,233 (2019: £nil).

During the year, the Company entered into a short term loan agreement with a company controlled and owned by a director of the Company. The loan is unsecured, currently attracts interest at a rate of 4.4% per annum and is repayable on demand. The amount owed by the Company at 31 March 2020 amounted to £41,317,976 (2019: £nil). Interest of £736,460 (2019: £nil) was charged on the outstanding balance during the year.

### Transactions with other related parties – Group

The Group is party to various estate service charge deeds ("ESC deeds") relating to services provided by Greenwich Peninsula Estate Management Company Limited ("GPEMCL") to the common parts of Greenwich Peninsula. Under the terms of these ESC deeds, the Company is obligated to contribute to a fair and reasonable proportion of the estate service charge. The Group is related by virtue of the Company's significant influence over GPEMCL. All amounts charged to the Group during the year were at the same rates that apply to other members of the estate.

The Group has advanced short term working capital funding to GPEMCL. Amounts outstanding at 31 March 2020 amounted to £585,335 (2019: £nil). The balance is unsecured, interest free and repayable on demand.

The Group's main office premises are leased from an entity controlled by the larger group within which the Company is a member (refer to note 27 for further information). Transactions include rent and associated costs such as service charges and utility recharges. Total transactions in the year amounted to £443,343 (2019: £435,102). No amounts were owed at the reporting date (2019: £nil).

## Notes to the financial statements (*continued*)

During the year, the Group agreed with another UK member of the larger group of which the Company is a member to purchase UK corporation tax group relief from that entity, in respect of unused taxable losses for the periods ended 31 March 2018 and 31 March 2019. The consideration to be paid in relation to these transactions amounts to £251,240 (2019: £nil) and remains owed to the fellow group member at the reporting date.

The directors and entities controlled by the directors invoiced the Group £131,815 (2019: £nil) for residential units exchanged or reserved by these directors but sold on to third parties at a higher value prior to completion. The amounts charged relate to the difference between the price exchanged or reserved and the price subsequently achieved from the incoming buyer.

### 26. Subsequent events

In connection with the preparation of the accompanying financial statements as at 31 March 2020, management has evaluated the impact of all subsequent events on the Group through to 8 September 2020, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

### 27. 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.