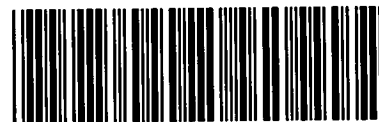


Amended
Knight Dragon Investments Limited

Annual report and consolidated financial
statements

Registered number 6231628
For the year ended 31 March 2023

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Group strategic report

Business review

Knight Dragon Investments Limited ("the Company") and its subsidiaries (collectively "the Group") has planning consent for 19.5 million sq ft of development at Greenwich Peninsula, incorporating approximately 17,500 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 2023, the Group's investment and development subsidiaries were involved in the following activities:

- KDDL continued in its role as master developer of Greenwich Peninsula. Approval of KDDL's revised masterplan for Greenwich Peninsula was subject to agreement of the revised s106 agreement and this was achieved in August 2022. This new masterplan increases the number of planned residential homes from 15,720 to approximately 17,500 and increases the provision of affordable housing from 25% to 28%. KDDL's other activities in the year have included general marketing activities for the Group and the design, construction and installation of site-wide infrastructure for the benefit of future developments within the masterplan.
- KDDL sold options for two plots in December 2022 to an affordable housing provider for £41,000,000. There is planning for 476 units.
- Knight Dragon 19.05 Limited drew down a long leasehold interest on Plot 19.05. Construction began for 431 private residential units scheduled to complete in Q2 2025. Over half of the units were presold as at 31 March 2023.
- Knight Dragon (N0205) Limited and Knight Dragon N0206 Limited continued to sell private residential units in Upper Riverside.
- Upper Riverside Residential Limited and Knight Dragon Strategic Investments Limited continued to let residential units on assured shorthold tenancy agreements and, taking advantage of the strong rental market, significantly increased the total number of units held for rental.
- Construction progressed on the Design District, a new creative destination comprising 14 buildings by eight separate architectural practices. Construction of all but one of these buildings was completed by 31 March 2023 and the final building was completed after the year end in June 2023. Letting and operation of the district has progressed well, with most space (except for two single-let buildings) fully let or at an advanced stage of negotiation or progression of legal agreements.

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 uncertainties in recent years surrounding Brexit, the Covid-19 pandemic and the conflict in Ukraine have continued to affect the Group's operations. 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 past 12 months have seen significant increases in energy prices, cost inflation and interest rates. All these factors have resulted in increased development costs and therefore present a risk to the Group's profitability. However, the fundamental imbalance of supply and demand remains and, as it is involved in a long-term regeneration project, the Group continues to take a confident long-term view of the London market and currently does not envisage any material changes to its development strategy.

Group strategic report (continued)

Key performance indicators

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

Revenue amounted to £81.0m (2022: £56.3m) representing an increase of 44% year on year which reflects the profile of development activity and completions within the five buildings comprising the Upper Riverside district.

Residential sales in the year averaged £855,000 per unit (2022: £811,000 per unit) which reflects the type and size of units sold in the Upper Riverside district during the last two financial years. This equated to a price per square foot of £990 (2022: £948 per square foot).

The number of residential units leased under tenancy agreements at 31 March 2023 was 294 (2022: 242) as a result of the Group taking advantage of the strengthened London rental market and increasing the number of units held for rental.

Net assets of the Group at 31 March 2023 were £152.5m (2022: £162.9m).

Future developments

Over the next 12 months, the Group expects to:

- Continue the construction and pre-sale of Plot 19.05;
- Progress the feasibility and design of further plots in anticipation of their development in future years;
- Sell the remaining few residential units in Upper Riverside which are currently marketed for sale; and
- Complete the occupancy of the commercial units in the Design District.

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.

We 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.

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.

As is typical in the construction industry, 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 KDDL. 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.

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 KDDL meets as a whole to discuss recent activities and to answer questions raised by staff. Clear goals are set by the directors 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.

Customers and community

Due to the nature of the development we are undertaking, being a single development project 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 placemaking activations throughout the year including: exhibitions in the *NOW Gallery*, an art gallery located at the gateway of Greenwich Peninsula; *Summer Sessions*, a series of free cultural activities held throughout the summer months; *Turning Tides*, a free music festival with live performances from a range of international artists; and *Urban Village Fete*, a community fete including workshops, talks, entertainment, street food and more.

Local government

KDDL 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 regular discussions relating to planning applications and permissions and other development matters.

A key topic of engagement during the year was the s106 agreement relating to the revised Masterplan. This was signed and dated in August 2022.

Principal decisions

When making decisions, the directors ensure they act in the way that they consider would most likely promote the Group's success for the benefit of its members as a whole, whilst in doing so having regard for the likely consequences of any decision in the long term, the interests of the Group's employees, the need to foster the Group's business relationships with suppliers, customers and 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.

Group strategic report (*continued*)

Principal risks and uncertainties

The financial risk management objectives and policies of the Group and 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 financial statements.

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

In the opinion of the directors, the Group's business operations and financial stability could be significantly impacted by the following risks and uncertainties:

- There has been, and in the short to medium term there will very likely continue to be, increased upward pressure on prices throughout our supply chain driven by volatility in global commodity prices and market uncertainty. This inflationary risk is managed primarily by entering fixed-price contracts with our main suppliers at the appropriate time and controlling the timing of the development of new plots when market conditions are suitable.
- The economic and political uncertainty brought about by Brexit and the Covid-19 pandemic has increased the risk of shortages of appropriately skilled subcontractors and of sourcing building materials at competitive prices although, during the latter part of the year, build cost inflation began and continues to reduce. The inflationary consequences of this are primarily mitigated by engaging with building contractors at an early stage in the development cycle to ensure that subcontractors and materials are procured at the appropriate time to reduce the risk of a delay in the development programme.
- The risk of a scarcity of high-quality suppliers throughout our supply chain to deliver the products that we wish to build has also increased in recent years. This risk is mitigated by using highly regarded consultants and building contractors that we have previously worked with on completed developments and that we can rely on to complete work to a high standard.
- External factors including house prices, significant increases in interest rates and reduction of mortgage availability all have an impact on the Group's ability to sell and lease residential apartments and the financial returns thereon. This is mitigated through ongoing monitoring of these market factors and responding appropriately, including changing the mix of for-sale and for-rent product, reviewing pricing strategy and the use of sales incentives to support the sales process.
- Local and central government housing policy impacts the Group's ability to obtain planning consents for developments which align with market demand and provide the Group with the best opportunity to maximise returns. This risk is primarily mitigated through ensuring that detailed designs are within the framework of the Greenwich Peninsula masterplan and by engaging with the relevant government agencies throughout the design and planning process.

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.

Group strategic report (continued)

Environment and Streamlined Energy and Carbon Reporting

The Group has not reported energy use and carbon emissions required by the Streamlined Energy and Carbon Reporting ("SECR") rules because although the Group is large, none of its subsidiaries are required to report this information in their own annual reports by virtue of not being large or by virtue of being low energy users with less than 40 MWh of energy usage per year, or both. The Company itself is also a low energy user and therefore has nothing to report in relation to SECR.

However, the Group 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 its activities. The Group's sustainability vision is to create a low to zero carbon, creative and resource-efficient community that is prosperous and resilient, built on inclusive and positive climate impact. Targets have been set to transition the Group towards a zero-carbon economy by 2030 with initiatives such as decarbonising the district heat network, producing 100% renewable energy and setting targets to improve operational energy efficiency.

All future developments will apply a whole life carbon perspective to decision-making around reducing emissions in line with a 1.5 degrees Celsius decarbonisation trajectory (Paris Agreement, 2015), as well as set a range of near-term and long-term net zero targets.

Third party sustainability certification will be adopted where applicable including BREEAM for Buildings, BREEAM Infrastructure, Passivhaus, WELL Standard, and NABERS.

On behalf of the board



S Lee
Director

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

12 October 2023

Directors' report

The directors present the directors' report and financial statements for the year ended 31 March 2023.

Principal activities

The Company (as defined in Group Strategic Report) 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 (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 (2022: £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:

S Lee
J Rann
R Margree
P Tsang
P Elliott

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

The auditor, BDO LLP, was appointed during the year and has expressed its willingness to continue in office. A resolution to re-appoint BDO LLP will be proposed at the annual general meeting.

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 Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

On behalf of the board



R Margree
Director

Level 9, 6 Mitre Passage
Greenwich Peninsula
London, SE10 0ER
12 October 2023

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

Opinion on the revised financial statements

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the revised Group financial statements have been properly prepared in accordance with UK adopted international accounting standards, seen as at the date the original financial statements were approved;
- the revised Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, and as applied in accordance with the provisions of the Companies Act 2006, seen as at the date the original financial statements were approved; and
- the revised financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

We have audited the revised financial statements of Knight Dragon Investments Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the consolidated statement of comprehensive income, the Group and the Company statements of financial position, the Group and the Company statements of changes in equity, the Group and the Company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. These financial statements replace the original financial statements approved by the directors on 12 October 2023 and consist of the attached supplementary note together with the original financial statements circulated to the members on 12 October 2023. The revised financial statements have been prepared in accordance with The Companies (Revision of Defective Accounts and Reports) Regulations 2008 and as such do not consider events which have taken place after the date on which the original financial statements were approved.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Revision of note 9 of the original financial statements with regards to Subsidiary information

We draw attention to the supplementary note concerning the need to revise the original financial statements, which adds an additional section to note 9 on pages 32 and 33 of the original financial statements. The original financial statements were approved on 12 October 2023, and our previous audit report was signed on 12 October 2023. We have not performed subsequent events review for the period from the date of our previous auditor's report to the date of this report. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and consolidated financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In our opinion, the original financial statements for the period ended 31 March 2023 failed to comply with the requirements of the Companies Act 2006 in the respect of the matter identified by the Directors in the supplementary note to the revised financial statements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008, requires us 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 revised Parent Company's 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;

- discussion with management and those charged with governance; and
- obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be UK adopted international accounting standards, UK tax legislation and the Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and valuation of the investment property and inventories.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias in the valuation methods, assumptions, inputs and judgements adopted.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Alexander Tapp

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Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date 29 January 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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

Opinion on the financial statements

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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, 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.

We have audited the financial statements of Knight Dragon Investments Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2023 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 and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and consolidated financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be UK adopted international accounting standards and the Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - o Detecting and responding to the risks of fraud; and
 - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

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

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and valuation of the investment property and inventory.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias in the valuation methods, assumptions and the inputs and judgements adopted.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Alexander Tapp

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Alexander Tapp (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date 12 October 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
for the year ended 31 March 2023

	Note	2023 £	2022 £
Revenue	2	81,037,680	56,293,779
Cost of sales		(62,105,036)	(40,904,318)
Gross profit		18,932,644	15,389,461
Other income	2	894,597	569,397
Other (losses)/gains	3	(2,805,428)	1,474,480
Fair value (losses)/gains on investment property	8	(4,646,946)	4,926,167
Sales and marketing expenses		(5,207,567)	(4,615,766)
Administrative expenses	5	(11,361,431)	(10,625,042)
Operating (loss)/profit before tax		(4,194,131)	7,118,697
Finance costs	6	(8,798,197)	(6,744,210)
Fair value gains on derivatives		531,633	-
(Loss)/profit before tax		(12,460,695)	374,487
Taxation	7	2,809,741	1,066,241
Total comprehensive (loss)/profit for the year		(9,650,954)	1,440,728
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(9,939,436)	1,517,668
Non-controlling interests		288,482	(76,940)
		(9,650,954)	1,440,728

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

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss for the Company for the year was £6,676,932 (2022: Loss £4,330,741)


Notes on pages 17 to 48 form part of the financial statements

Knight Dragon Investments Limited
Annual report and consolidated financial statements
For the year ended 31 March 2023

Statement of financial position
at 31 March 2023

	Note	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Non-current assets					
Investment properties	8	257,689,008	249,717,500	-	-
Investments in subsidiaries	9	-	-	74,567,435	74,567,435
Property, plant and equipment	10	101,762,537	103,359,232	-	-
Amounts due from subsidiaries	11	-	-	647,505,848	610,381,363
Deferred tax assets	12	9,872,983	7,977,240	-	-
Financial assets at fair value through profit or loss	13	6,000,000	6,000,000	-	-
Derivative financial instruments	22	1,262,799	1,387,767	-	-
Loan receivables		5,278,655	6,859,430	-	-
Total non-current assets		381,865,982	375,301,169	722,073,283	684,948,798
Current assets					
Inventories	14	550,680,148	538,880,630	-	-
Trade and other receivables	15	85,133,233	74,308,247	28,211,210	28,189,243
Contract assets	2	405,215	448,508	-	-
Derivative financial instruments	22	656,600	-	-	-
Cash at bank and in hand	16	20,868,031	16,958,379	929,639	5,972,030
Restricted cash at bank	16	5,450,579	4,418,964	-	-
Total current assets		663,193,806	635,014,728	29,140,849	34,161,273
Total assets		1,045,059,788	1,010,315,897	751,214,132	719,110,071
Current liabilities					
Trade and other payables	17	(23,718,030)	(8,152,440)	(26,628,864)	(17,764,535)
Deferred income	18	(1,244,521)	(804,761)	-	-
Contract liabilities	2	(2,154,851)	(226,123)	-	-
Provisions	19	(5,779,904)	(12,028,210)	-	-
Shareholder interest-bearing loans	20	(490,564,740)	(460,648,076)	(490,564,740)	(460,648,076)
Other interest-bearing loans and borrowings	20	(89,916,681)	(8,049,411)	-	-
Total current liabilities		(613,378,727)	(489,909,021)	(517,193,604)	(478,412,611)
Net current assets/(liabilities)		49,815,079	145,105,707	(488,052,755)	(444,251,338)
Non-current liabilities					
Deferred income	18	(5,985,000)	(6,125,000)	-	-
Other interest-bearing loans and borrowings	20	(272,400,301)	(348,515,541)	-	-
Deferred tax liabilities	12	(791,562)	(2,863,426)	-	-
Total non-current liabilities		(279,176,863)	(357,503,967)	-	-
Total liabilities		(892,555,590)	(847,412,988)	(517,193,604)	(478,412,611)
Net Assets		152,504,198	162,902,909	234,020,528	240,697,460
Equity					
Share capital	21	12,182	12,182	12,182	12,182
Retained deficit		(90,584,617)	(80,545,047)	(9,539,886)	(2,862,954)
Share premium		243,076,633	243,076,633	243,548,232	243,548,232
Other reserve		-	448,414	-	-
Equity attributable to owners of the Company		152,504,198	162,992,182	234,020,528	240,697,460
Non-controlling interests		-	(89,273)	-	-
Total equity		152,504,198	162,902,909	234,020,528	240,697,460

These financial statements were approved by the board of directors on 12 October 2023 and were signed on its behalf by:


J Rann
Director

Registered number 6231628

Notes on pages 17 to 48 form part of the financial statements

Knight Dragon Investments Limited
Annual report and consolidated financial statements
For the year ended 31 March 2023

Statement of changes in equity
for the year ended 31 March 2023

Group	Share Capital £	Share Premium £	Retained Deficit £	Other Reserve ¹ £	Non- controlling Interests £	Total Equity £
Balance at 1 April 2022	12,182	243,076,633	(80,545,047)	448,414	(89,273)	162,902,909
Total comprehensive loss for the year (Loss)/profit for the year	-	-	(9,939,436)	-	288,482	(9,650,954)
Equity settled share-based payment transactions	-	-	-	(448,414)	(298,943)	(747,357)
Movement due to Increase in controlling interest	-	-	(100,134)	-	99,734	(400)
Balance at 31 March 2023	12,182	243,076,633	(90,584,617)	-	-	152,504,198
Balance at 1 April 2021	12,182	243,076,633	(82,062,715)	360,154	(71,173)	161,315,081
Total comprehensive income for the year Profit/(loss) for the year	-	-	1,517,668	-	(76,940)	1,440,728
Equity settled share-based payment transactions	-	-	-	88,260	58,840	147,100
Balance at 31 March 2022	12,182	243,076,633	(80,545,047)	448,414	(89,273)	162,902,909
Company	Share Capital £	Share Premium £	Retained (Deficit)/ Earnings £	Other Reserve £	Non- controlling Interests £	Total Equity £
Balance at 1 April 2022	12,182	243,548,232	(2,862,954)	-	-	240,697,460
Total comprehensive loss for the year Loss for the year	-	-	(6,676,932)	-	-	(6,676,932)
Balance at 31 March 2023	12,182	243,548,232	(9,539,886)	-	-	234,020,528
Balance at 1 April 2021	12,182	243,548,232	1,467,787	-	-	245,028,201
Total comprehensive loss for the year Loss for the year	-	-	(4,330,741)	-	-	(4,330,741)
Balance at 31 March 2022	12,182	243,548,232	(2,862,954)	-	-	240,697,460

Notes on pages 17 to 48 form part of the financial statements

¹ 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.

Knight Dragon Investments Limited
Annual report and consolidated financial statements
For the year ended 31 March 2023

Statement of cash flows
for the year ended 31 March 2023

	Group 2023	Group 2022	Company 2023	Company 2022
Cash flows from operating activities				
(Loss)/profit after taxation	(9,650,954)	1,440,728	(6,676,932)	(4,330,741)
<u>Adjustments for:</u>				
Taxation	(2,809,741)	(1,066,241)	-	-
Changes in fair value of derivative financial instruments	(531,633)	(1,409,222)	-	-
Changes in fair value of investment properties	4,646,946	(4,926,167)	-	-
Depreciation of property, plant and equipment	3,239,159	2,957,900	-	-
Gain on disposal of property, plant & equipment	-	(1,566,359)	-	-
Impairment of inventories	388,522	1,616,330	-	-
Impairment of trade and other receivables	280,980	53,685	-	-
Interest income	(673,956)	(321,905)	-	-
Amortisation of loan arrangement fees	246,818	750,177	-	-
Net finance expense	8,551,379	5,994,033	3,166,664	3,001,039
Equity settled share-based payments	(747,358)	147,100	-	-
Operating cash flows before movements in working capital	2,940,162	3,670,059	(3,510,268)	(1,329,702)
<u>Adjustments for working capital movements</u>				
(Increase)/decrease in inventories	(13,742,411)	17,022,852	-	-
Increase in trade and other receivables and contract assets	(11,062,672)	(4,029,747)	(21,967)	(2,168,457)
Increase/(decrease) in trade and other payables, deferred income and contract liabilities	16,235,436	273,227	8,864,329	(403,749)
Decrease in provisions	(6,248,306)	(2,051,127)	-	-
Net cash (used in)/generated from operations	(11,877,791)	14,885,264	5,332,094	(3,901,908)
Net tax (paid)/refunds received	(25,223)	726,414	-	-
Net cash (used in)/generated from operating activities	(11,903,014)	15,611,678	5,332,094	(3,901,908)
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,642,465)	(6,856,792)	-	-
Additions to investment properties	(2,628,454)	(8,755,967)	-	-
Repayments received on financial assets at FVTPL	-	6,000,000	-	-
Repayments received on loans and other receivables	1,968,849	2,694,967	-	-
Placement of restricted bank deposits	(8,337,469)	(74,935,613)	-	-
Withdrawals of restricted bank deposits	7,305,854	78,921,905	-	-
Net advances to subsidiary companies	-	-	(37,124,485)	(9,961,978)
Acquisition of additional interests in subsidiaries	(400)	-	-	-
Interest received	285,882	280	-	-
Net cash used in investing activities	(3,048,203)	(2,931,220)	(37,124,485)	(9,961,978)
Cash flows from financing activities				
Proceeds from shareholder loans	28,000,000	20,000,000	28,000,000	20,000,000
Repayments of shareholder loans	(1,250,000)	(3,250,000)	(1,250,000)	(3,250,000)
Proceeds from third party loans	5,850,000	53,075,450	-	-
Repayments of third party loans	-	(73,520,505)	-	(10,605,570)
Repayments of lease liabilities	(349,685)	(349,686)	-	-
Other finance costs paid	(12,053)	(580,919)	-	-
Finance costs paid	(13,377,393)	(12,127,089)	-	-
Net cash generated from/(used in) financing activities	18,860,869	(16,752,749)	26,750,000	6,144,430
Net increase/(decrease) in cash and cash equivalents	3,909,652	(4,072,291)	(5,042,391)	(7,719,456)
Cash and cash equivalents at 1 April	16,958,379	21,030,670	5,972,030	13,691,486
Cash and cash equivalents at 31 March	20,868,031	16,958,379	929,639	5,972,030

Statement of cash flows *(continued)*

Reconciliation of liabilities arising from financing activities

31 March 2023	Group 2022 £	Cash Flows £	Non-cash changes £	Group 2023 £
Shareholder loans	460,648,076	26,750,000	3,166,664	490,564,740
Third party loans	356,059,611	5,850,000	206,690	362,116,301
Lease liability	505,341	(349,685)	45,025	200,681
	<u>817,213,028</u>	<u>32,250,315</u>	<u>3,418,379</u>	<u>852,881,722</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 foreign exchange differences recognised on foreign currency denominated borrowings.

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

31 March 2022	Group 2021 £	Cash Flows £	Non-cash changes £	Group 2022 £
Shareholder loans	440,897,037	16,750,000	3,001,039	460,648,076
Third party loans	377,213,157	(32,118,697)	10,965,151	356,059,611
Lease liability	855,027	(349,686)	-	505,341
	<u>818,965,221</u>	<u>(15,718,383)</u>	<u>13,966,190</u>	<u>817,213,028</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.

Notes on pages 17 to 48 form part of the financial statements

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 accounting standards in conformity with the requirements of the Companies Act 2006.

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

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.

The Company had net current liabilities of £488,052,755 at 31 March 2023 (2022: £444,251,338) including a shareholder loan from the Company's immediate parent, Knight Dragon Limited, of £490,564,740 (2022: £460,648,076) which is repayable on demand. There are also loans from third parties totalling £89,716,000 which are due for repayment within 12 months from date of the approval of these financial statements. The Company also made a loss of £6,676,932 during the year (2022: £4,330,741).

The Group has prepared cash flow forecasts in order to assess going concern. Those forecasts take into account the successful refinancing of third parties' loans totalling £89,716,000 during the time between the reporting date and signing these financial statements as per note 26 - Subsequent Events. The forecasts indicate that, based on current expectations and taking account of reasonably possible downsides, the Group and Company are dependent for their working capital on funds provided by the Company's immediate parent Knight Dragon Limited. Knight Dragon Limited has indicated its intention not to seek repayment of the amounts due and, should the need arise, to provide necessary funding for the continuing operations of the Group and Company, during the going concern assessment period.

As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements (*continued*)

Significant judgements, estimates and assumptions

The preparation of financial statements under international accounting standards 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

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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.

Notes to the financial statements (continued)

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, amortisation of upfront fees, 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 are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the consolidated statement of comprehensive income on the date the entity's right to receive payments is established.

Defined contribution pension plans

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

Borrowing costs

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

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

Taxation

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

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

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

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

Notes to the financial statements (*continued*)

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.

The following depreciation rates are used by the Group:

Category	Useful Life	Depreciation method(s)
IT assets	3 years	Straight line
Furniture & fittings	5 – 10 years	Straight line
Heat network and related assets	15 – 50 years	Straight line
Main Energy Centre	15 – 50 years	Straight line
Buildings	8.5 years – 50 years	Straight line and output method
Right-of-use assets	Remaining lease term	Straight line
Artwork	n/a	No depreciation

Artwork assets are considered to have a very long life. No depreciation is currently charged on these assets because the economic life is considered to be significantly longer than the useful life to the Group and the residual value at the end of the useful life is considered to be greater than the carrying amount.

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 finance costs where these finance costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

Notes to the financial statements (continued)

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

Inventories include costs incurred by the Group (including capitalised finance costs) 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, at fair value through other comprehensive income ("FVOCI"), or at 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.

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 are designated as FVTPL using the 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.

Notes to the financial statements (*continued*)

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.

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 statement of cash flows.

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

Notes to the financial statements (*continued*)

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.

As lessee

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.

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 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.

Notes to the financial statements (*continued*)

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:

- 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.

Notes to the financial statements (continued)

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.

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	2023 £	2022 £
Revenue from contracts with customers	68,675,510	48,631,059
Other revenue and income	13,256,767	8,232,117
Total revenue and other income	<u>81,932,277</u>	<u>56,863,176</u>

Presented in the consolidated statement of comprehensive

Income as:

Revenue	81,037,680	56,293,779
Other income	894,597	569,397
Total revenue and other income	<u>81,932,277</u>	<u>56,863,176</u>

Notes to the financial statements (continued)

(B) Disaggregation of revenue from contracts with customers

Group	2023	2022
	£	£
Sale of residential properties	19,814,474	42,355,901
Sale of land options	41,000,000	-
Heat network connection fee income	-	475,000
Other revenue	1,896,212	577,825
Total revenue recognised at a point in time	62,710,686	43,408,726
Sale of heat and electricity	3,988,107	4,259,601
Other revenue	1,976,717	962,732
Total revenue recognised over time	5,964,824	5,222,333
Total revenue from contracts with customers	68,675,510	48,631,059

(C) Contract balances

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

Group	2023	2022
	£	£
Receivables, which are included in 'trade and other receivables'	1,745,529	1,248,627
Contract assets	405,215	448,508
Contract liabilities	(2,154,851)	(226,123)
Net contract balances	(4,107)	1,471,012

Contract assets primarily relate to the Group's right to consideration due but not yet received on the sale of heat and electricity.

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.

(D) Performance obligations and revenue recognition policies

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy
Sale of residential property	<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. 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.

Notes to the financial statements *(continued)*

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy
Sale of land options	Performance obligations are generally satisfied at the time that the contract with the customer is completed and control of the land is transferred. Payment is typically due on completion.	Revenue from the sale of land options is recognised at a point in time when the performance obligations have been satisfied, control has been transferred to the buyer and the Group has an enforceable right to payment. Where cash has been received in advance of obligations being fulfilled by the Group, these amounts have been presented as contract liabilities in the statement of financial position. No revenue is recognised when there are significant uncertainties that the entity will collect consideration to which it will be entitled in exchange for the services transferred to the customer.
Heat Network connection fee income	The performance obligation is satisfied when practical completion of the connection is reached.	Revenue from connection fees is recognised at a point in time at practical completion of the connection.
Sale of heat and electricity	Invoices for the sale of heat and electricity are issued on a monthly basis and are typically payable within 30 days. Some customers also pay in advance of actual usage. The performance obligation is satisfied when the heat or electricity is consumed by the customer.	Revenue is recognised over time as and when the customer receives and consumes the benefits provided by the Company and it is probable that the Company will receive consideration. Where cash has been received in advance of obligations being fulfilled by the Company, these amounts have been presented as contract liabilities in the statement of financial position.

3. Other (losses)/ gains

	2023 £	2022 £
Impairment of inventories	(388,521)	(1,616,330)
Impairment of capital contributions and other leasing costs	-	(27,621)
Gain on sale of property, plant and equipment	-	1,566,359
Net foreign exchange losses	(4,046)	(2,834)
Expected credit losses	(280,980)	(26,024)
Fair value gains on revaluation of derivatives ¹	-	1,409,222
(Provisions for)/reversal of provisions for property rectification	(2,131,881)	171,708
	<u>(2,805,428)</u>	<u>1,474,480</u>

4. Remuneration of directors

	2023 £	2022 £
All directors		
Directors' emoluments and pensions	<u>2,016,182</u>	<u>1,746,587</u>
Highest paid director		
Director's emoluments and pensions	<u>1,067,635</u>	<u>750,477</u>

¹ In the current year the fair value gains on the revaluation of derivatives is reported a single line item, 'Fair value gains on derivative', within the Consolidated statement of comprehensive income. The gain in the current year is £531,633.

Notes to the financial statements (continued)

5. Operating profit / (loss) includes the following:

5a. Administrative expenses

	2023 £	2022 £
Employment costs	10,738,199	8,532,539
Establishment and office running costs	3,290,438	2,564,457
Professional fees	1,521,749	2,300,807
Depreciation	3,188,696	2,859,377
Costs charged to inventory	(7,377,651)	(5,632,138)
	<u>11,361,431</u>	<u>10,625,042</u>

5b. Staff numbers and costs

The Group employed an average of 105 employees during the financial year (2022: 88). All employees are considered to be a single category of professional staff.

Administrative costs include the following staff costs:

	2023 £	2022 £
Wages and salaries	8,899,410	6,984,911
National Insurance	1,168,234	877,603
Pension costs	526,852	488,963
Staff benefits	143,703	181,062
	<u>10,738,199</u>	<u>8,532,539</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 (2022: £nil).

5c. Expenses and auditor's remuneration

Operating profit / (loss) is stated after charging:

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Depreciation (cost of sales)	50,463	98,523	-	-
Depreciation (administrative expenses)	3,188,696	2,859,377	-	-
Amounts paid to the auditor for audit services	<u>320,000</u>	<u>210,800</u>	<u>68,000</u>	<u>35,700</u>

There were no non-audit fees paid to the auditor (2022: none).

6. Finance costs

	2023 £	2022 £
Finance costs on bank and other borrowings	7,551,091	5,384,461
Shareholder loan interest	1,247,106	1,359,749
	<u>8,798,197</u>	<u>6,744,210</u>

Notes to the financial statements (*continued*)

7. Taxation

Recognised in the consolidated statement of comprehensive income:

Group	2023 £	2022 £
Adjustments in respect of prior financial year estimates	3,329,316	2,237,320
Deferred tax movement	1,094,582	(689,566)
Current year tax charge	(1,043,057)	(481,513)
Payments for group relief to fellow group members	(571,100)	-
Total taxation	2,809,741	1,066,241

Reconciliation of effective tax rate:

	2023 £	2022 £
(Loss)/profit before taxation	(12,460,695)	374,487
Tax using the UK corporation tax rate of 19% (2022: 19%)	2,367,532	(71,153)
Group relief	(633,931)	-
Adjustments in respect of prior financial year estimates	3,329,316	2,237,322
Non-tax deductible finance costs	(3,232,744)	(1,025,921)
Other tax adjustments	832,167	(1,301,323)
Change in tax rate ¹	147,401	1,227,316
Total tax in the consolidated statement of comprehensive income	2,809,741	1,066,241

¹An increase to the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 10 June 2021. This change will affect the Group's corporation tax liability in future years accordingly.

8. Investment properties

Investment properties at 31 March 2023 and 31 March 2022 relate to residential property held to generate long term rental income and capital appreciation, commercial properties held to generate rental income and commercial properties under construction which will be held to generate rental income once complete.

Group 31 March 2023	Completed Investment properties £	Investment properties under development £	Total £
At 1 April 2022	246,354,500	3,363,000	249,717,500
Transfer from inventories	9,990,000	-	9,990,000
Additions	-	2,628,454	2,628,454
Changes in fair value	(2,825,492)	(1,821,454)	(4,646,946)
At 31 March 2023	253,519,008	4,170,000	257,689,008

Notes to the financial statements (*continued*)

Group 31 March 2022	Completed investment properties £	Investment properties under development £	Total £
At 1 April 2021	154,580,000	12,180,000	166,760,000
Additions	-	9,790,333	9,790,333
Transfer from inventories	68,241,000	-	68,241,000
Transfer of completed properties	19,196,829	(19,196,829)	-
Changes in fair value	4,336,671	589,496	4,926,167
At 31 March 2022	246,354,500	3,363,000	249,717,500

At 31 March 2023, the aggregate fair value investment properties pledged as securities for the Group's borrowings amounted to £242,221,508 (2022: £243,727,500).

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 and commercial 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 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.

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.

Notes to the financial statements (continued)

Fair value hierarchy

At 31 March 2023 and 31 March 2022, 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 2023	Fair Value £	Valuation techniques	Range of significant unobservable inputs	
			Prevailing market rate	Capitalisation rate
Residential properties	223,332,500	Direct comparison	£678-£1,138 per square foot (capital value)	N/A
Retail properties	5,990,000	Income capitalisation	£13-£28 per square foot (annual rental value)	6% - 7%
Commercial properties	28,366,508	Residual value	£5-£37 per square foot (annual rental value)	6.5%
Total	257,689,008			

Group 31 March 2022	Fair Value £	Valuation techniques	Range of significant unobservable inputs	
			Prevailing market rate	Capitalisation rate
Residential properties	214,427,500	Direct comparison	£715-£1,290 per square foot (capital value)	N/A
Retail properties	5,990,000	Income capitalisation	£19-£28 per square foot (annual rental value)	6.4% - 7.2%
Commercial properties	29,300,000	Residual value	£5-£35 per square foot (annual rental value)	6.0%
Total	249,717,500			

There have been no transfers between Level 1 and Level 2 during the year (2022: no transfer), and no transfers into and out of Level 3 fair value measurements (2022: 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.

Notes to the financial statements (continued)

The table below sets out potential impacts that may result from changes to those key inputs:

Group 31 March 2023		Impact on statement of comprehensive income and statement of financial position	
Category	Key Input	Increase In Input	Decrease In Input
Residential properties	1% change in house prices	£2,233,325	(£2,233,325)
Retail properties	0.5% change in capitalisation rate	(£384,000)	£440,000
Commercial properties	1% change to market rent	£350,000	(£370,000)
	0.5% change in the capitalisation rate	(£2,280,000)	£2,610,000

Group 31 March 2022		Impact on statement of comprehensive income and statement of financial position	
Category	Key Input	Increase In Input	Decrease In Input
Residential properties	1% change in house prices	£2,144,275	(£2,144,275)
Retail properties	0.5% change in capitalisation rate	(£440,000)	£440,000
Commercial properties	1% change to market rent	£370,000	(£370,000)
	0.5% change in the capitalisation rate	(£2,570,000)	£2,970,000

9. Investments in subsidiaries

Company	2023 £	2022 £
Investments in subsidiaries at 1 April	74,567,435	74,567,433
Additions	-	2
Investments in subsidiaries at 31 March	<u>74,567,435</u>	<u>74,567,435</u>

List of the Company's subsidiaries:

Name of subsidiary	Country of Incorporation	Class of shares held	Direct & indirect ownership % 2023	Direct & indirect ownership % 2022
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 ²	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%

² Knight Dragon M0114A Limited and Knight Dragon M0114B Limited are each 50% partners in Knight Dragon M0114 LLP

Notes to the financial statements (continued)

Name of subsidiary	Country of incorporation	Class of shares held	Direct & indirect ownership % 2023	Direct & indirect ownership % 2022
Greenwich Peninsula ESCO Limited	UK	Ordinary	100%	100%
Loka Energy Limited ³	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	0%	100%
Knight Dragon Ventures Limited	UK	Ordinary	100%	100%
Greenwich River Limited ⁴	UK	Ordinary	100%	60%
Knight Dragon N0205 Residential Limited	UK	Ordinary	0%	100%
Upper Riverside Residential Limited	UK	Ordinary	100%	100%
Knight Dragon Residential Overriding Lease Company Limited	UK	Ordinary	100%	100%
Greenwich Peninsula Property Management Limited	UK	Ordinary	100%	100%
Upper Riverside B3 Limited	UK	Ordinary	100%	100%
Knight Dragon 350 Limited	UK	Ordinary	100%	100%
Knight Dragon 351 Limited	UK	Ordinary	100%	100%
KD Tokens Limited	Hong Kong	Ordinary	100%	100%

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

The registered office of KD Tokens Limited is Floor 15, HK Diamond Exchange Building, 8 – 10 Duddell Street, Central, Hong Kong SAR.

³ The investment in Loka Energy Limited is held by Greenwich Peninsula ESCO Limited

⁴ The investment in Greenwich River Limited is held by Knight Dragon Developments Limited

Supplementary Note to the Annual Report and Consolidated Financial Statements for Knight Dragon Investments Limited for the year ending 31 March 2023 – that adds a section to Note 9 on pages 32 and 33 had it been included in the original financial statements.

UK registered subsidiary companies exempt from audit

Knight Dragon Investments Limited has guaranteed the following subsidiaries' liabilities in accordance with section 479C of the Companies Act 2006 (the 'Act'):

Company name	Company registered number	Direct and indirect percentage shareholding
Knight Dragon Ventures Limited	11761210	100%
Greenwich Peninsula Property Management Limited	12449954	100%
Knight Dragon M0114A Limited	6346963	100%
Knight Dragon M0114B Limited	8434872	100%
Knight Dragon Peninsula Place Limited	9720792	100%
Knight Dragon 18.02 Limited	9806359	100%
Knight Dragon 18.03 Limited	9806402	100%
Knight Dragon 19.04 Limited	9806536	100%
Knight Dragon Special Projects Limited	10222665	100%
Greenwich Peninsula Lettings Limited	10336894	100%
Greenwich River Limited	11906818	100%
Knight Dragon Residential Overriding Lease Company Limited	12369247	100%
Upper Riverside B5 Limited	12483547	100%
Peninsula Quays Limited	05991757	100%
Greenwich Peninsula Sales Limited	10350905	100%

By guaranteeing the debts, these subsidiaries have relied on the exemption not to have their individual accounts audited, in accordance with section 479A of the Act.

The original financial statements omitted the above disclosure.

Directors' Statement in relation to the above supplementary note

- The above note revises in certain respects the original annual report and consolidated financial statements of the Group and Company for the year ended 31 March 2023 and is to be treated as forming part of those accounts.
- The financial statements of the Group and Company have been revised as at the date of the original Annual report and consolidated financial statements and not as at the date of revision, and accordingly do not deal with the events between those dates.

This supplementary note was approved by the Board of Directors on 12 January 2024 and signed on its behalf by:



Jonathan Rann

Date: 26 January 2024

Notes to the financial statements *(continued)*

10. Property, plant and equipment

Group 31 March 2023	Main Energy Centre £'000	Heat network and related assets £'000	Construction in progress £'000	IT assets and Fixtures & Fittings £'000	Buildings £'000	Right-of-use assets £'000	Artwork ¹ £'000	Total £'000
Cost								
At 1 April 2022	24,087	22,803	51	8,495	33,674	1,576	25,235	115,921
Additions	-	74	35	1,534	-	-	-	1,643
Disposals	-	-	-	-	-	-	-	-
At 31 March 2023	<u>24,087</u>	<u>22,877</u>	<u>86</u>	<u>10,029</u>	<u>33,674</u>	<u>1,576</u>	<u>25,235</u>	<u>117,564</u>
Accumulated Depreciation								
At 1 April 2022	(3,772)	(3,115)	-	(2,211)	(2,481)	(983)	-	(12,562)
Charge for the year	(722)	(661)	-	(1,319)	(214)	(323)	-	(3,239)
Disposal	-	-	-	-	-	-	-	-
At 31 March 2023	<u>(4,494)</u>	<u>(3,776)</u>	<u>-</u>	<u>(3,530)</u>	<u>(2,695)</u>	<u>(1,306)</u>	<u>-</u>	<u>(15,801)</u>
Net Book Value								
At 1 April 2022	20,315	19,688	51	6,284	31,193	593	25,235	103,359
Movement in period	(722)	(587)	35	215	(214)	(323)	-	(1,596)
At 31 March 2023	<u>19,593</u>	<u>19,101</u>	<u>86</u>	<u>6,499</u>	<u>30,979</u>	<u>270</u>	<u>25,235</u>	<u>101,763</u>

¹Artwork relates to large and significant sculptural pieces of art which are considered to have an ongoing useful economic life and are not depreciated but are reviewed at each reporting date for evidence of impairment.

Notes to the financial statements (continued)

Group 31 March 2022	Main Energy Centre £'000	Heat network and related assets £'000	Construction in progress £'000	IT assets and Fixtures & Fittings £'000	Buildings £'000	Right-of-use assets £'000	Artworks ¹ £'000	Total £'000
Cost								
At 1 April 2021	24,087	22,449	7,057	3,527	31,930	1,576	25,235	115,861
Additions	-	354	4,772	1,387	344	-	-	6,857
Completed in the year	-	-	(11,778)	3,581	8,197	-	-	-
Disposals	-	-	-	-	(6,797)	-	-	(6,797)
At 31 March 2022	<u>24,087</u>	<u>22,803</u>	<u>51</u>	<u>8,495</u>	<u>33,674</u>	<u>1,576</u>	<u>25,235</u>	<u>115,921</u>
Accumulated Depreciation								
At 1 April 2021	(3,050)	(2,424)	-	(1,311)	(3,482)	(660)	-	(10,927)
Charge for the year	(722)	(691)	-	(900)	(322)	(323)	-	(2,958)
Disposal	-	-	-	-	1,323	-	-	1,323
At 31 March 2022	<u>(3,772)</u>	<u>(3,115)</u>	<u>-</u>	<u>(2,211)</u>	<u>(2,481)</u>	<u>(983)</u>	<u>-</u>	<u>(12,562)</u>
Net Book Value								
At 1 April 2021	21,037	20,025	7,057	2,216	28,448	916	25,235	104,934
Movement in period	(722)	(337)	(7,006)	4,068	2,745	(323)	-	(1,575)
At 31 March 2022	<u>20,315</u>	<u>19,688</u>	<u>51</u>	<u>6,284</u>	<u>31,193</u>	<u>593</u>	<u>25,235</u>	<u>103,359</u>

¹Artwork relates to large and significant sculptural pieces of art which are considered to have an ongoing useful economic life and are not depreciated but are reviewed at each reporting date for evidence of impairment.

Notes to the financial statements (continued)

11. Amounts due from subsidiaries

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Loans to subsidiaries	-	-	647,505,848	610,381,363

Interest is generally charged to subsidiaries at 0.67% per annum (2022: 0.67% per annum). Although the loans are repayable on demand, the directors of the Company expect the loans to be repaid 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:

	2023 £	2022 £
Accelerated capital allowances	(791,562)	(2,863,426)
Deferred tax liabilities	(791,562)	(2,863,426)
Fair value of investment properties	5,183,506	4,307,282
Tax value of loss carried forward	2,617,562	2,439,363
Other temporary timing differences	2,071,915	1,230,595
Deferred tax assets	9,872,983	7,977,240
Net deferred tax assets	9,081,421	5,113,814

Movement in deferred tax during the year:

	1 April 2022 £	Adjustments in respect of prior year estimates £	Current year movement £	31 March 2023 £
Accelerated capital allowances	(2,863,426)	2,064,920	6,944	(791,562)
Fair value of investment properties	4,307,282	596,411	279,813	5,183,506
Tax value of loss carried forward	2,439,363	211,694	(33,495)	2,617,562
Other temporary timing differences	1,230,595	-	841,320	2,071,915
Net deferred tax assets	5,113,814	2,873,025	1,094,582	9,081,421

	1 April 2021 £	Adjustments in respect of prior year estimates £	Current year movement £	31 March 2022 £
Accelerated capital allowances	(1,730,249)	477,465	(1,610,642)	(2,863,426)
Fair value of investment properties	4,023,376	186,130	97,776	4,307,282
Tax value of loss carried forward	2,019,237	(107,831)	527,957	2,439,363
Other temporary timing differences	935,252	-	295,343	1,230,595
Net deferred tax assets	5,247,616	555,764	(689,566)	5,113,814

Notes to the financial statements (continued)

13. Financial Assets at FVTPL

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Unlisted convertible loan notes	<u>6,000,000</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>

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

14. Inventories

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Work in progress	542,124,113	502,820,577	-	-
Completed properties held for sale	8,556,035	36,060,053	-	-
	<u>550,680,148</u>	<u>538,880,630</u>	<u>-</u>	<u>-</u>

Inventories include capitalised finance costs in the year of £8,435,628 (2022: £7,365,979). Shareholder interest is capitalised, where appropriate, at 0.67% per annum (2022: 0.67% per annum). Third party interest attracts variable interest rates at an average of 4.0% (2022: 3.4%) 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 £51,978,330 (2022: £33,340,908).

The carrying value of inventories pledged as security against third party borrowings amounted to £443,311,024 at 31 March 2023 (2022: £466,691,911).

15. Trade and other receivables

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade receivables	1,745,529	1,248,627	-	-
VAT receivables	-	1,389,966	-	-
Amounts due from subsidiaries	-	-	28,206,961	27,911,025
Other receivables	2,359,578	4,328,125	4,249	6,985
Prepayments and accrued income	80,065,314	66,521,162	-	271,233
Lease incentives	962,812	820,367	-	-
Total trade and other receivables	<u>85,133,233</u>	<u>74,308,247</u>	<u>28,211,210</u>	<u>28,189,243</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.

Amounts due from subsidiaries are unsecured, non-interest bearing and payable on demand.

Notes to the financial statements (*continued*)

16. Cash and cash equivalents

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Cash at bank and in hand	8,868,031	16,958,379	929,639	5,972,030
Short term bank deposits	12,000,000	-	-	-
Restricted cash at bank	5,450,579	4,418,964	-	-
Total cash at bank and in hand	26,318,610	21,377,343	929,639	5,972,030
Restricted cash at bank	(5,450,579)	(4,418,964)	-	-
Cash and cash equivalents per the statement of cash flows	20,868,031	16,958,379	929,639	5,972,030

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 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade payables	7,571,201	2,658,728	2,500	17,804
Amounts due to subsidiaries	-	-	26,530,523	17,707,711
Amounts due to related parties	571,100	-	-	-
Other payables	883,873	1,289,328	7	-
Accruals	10,420,521	3,722,871	95,834	39,020
VAT payables	3,228,278	-	-	-
Corporation tax payable	1,043,057	481,513	-	-
	23,718,030	8,152,440	26,628,864	17,764,535

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

Amounts due to subsidiaries are unsecured, non-interest bearing and payable on demand.

18. Deferred Income

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Current				
Deferred rental income	1,104,521	664,761	-	-
Government grant	140,000	140,000	-	-
Deferred income classified as current liabilities	1,244,521	804,761	-	-
Non-current				
Government grant	5,985,000	6,125,000	-	-
Deferred income classified as non-current liabilities	5,985,000	6,125,000	-	-
Total deferred income	7,229,521	6,929,761	-	-

The Government 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.

Notes to the financial statements (continued)

19. Provisions

Group	Provision for future development costs £
Balance at 1 April 2022	12,028,210
Increase in provisions	2,523,520
Utilisation of provisions	(8,765,975)
Reduction in provisions	(5,851)
Balance at 31 March 2023	<u>5,779,904</u>

The provision relates to future development and rectification costs for which the Group has legal and/or constructive obligations to incur but the amounts or timings are uncertain.

20. Other interest-bearing loans and borrowings

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Current				
Loan from shareholder	490,564,740	460,648,076	490,564,740	460,648,076
Third party loans	89,716,000	7,716,000	-	-
Lease liability	200,681	333,411	-	-
Loans and borrowings classified as current liabilities	<u>580,481,421</u>	<u>468,697,487</u>	<u>490,564,740</u>	<u>460,648,076</u>
Non-current				
Third party loans	272,400,301	348,314,860	-	-
Lease liability	-	200,681	-	-
Loans and borrowings classified as non-current liabilities	<u>272,400,301</u>	<u>348,515,541</u>	<u>-</u>	<u>-</u>
Total loans and borrowings	<u>852,881,722</u>	<u>817,213,028</u>	<u>490,564,740</u>	<u>460,648,076</u>

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.

Shareholder interest is currently charged at 0.67% per annum (2022: 0.67% per annum). The directors of the Company consider the shareholder loans to be repayable in less than 12 months (2022: less than 12 months) because they are repayable on demand and the Company does not have an unconditional right to defer settlement beyond 12 months. The Company has received confirmation from the shareholder that it is not currently their intention to recall these loans until such time that the Company is in a financial position to be able to repay the loans.

Third party interest is charged at an average rate of 4.1% per annum (2022: 3.1% per annum). The loan facilities have varying lengths of maturity with £89,716,000 (2022: £7,716,000) being due within twelve months. Refer to note 23 for more information.

Third party loans are generally secured on the inventory, property, plant and equipment and investment properties of the respective subsidiary.

Notes to the financial statements (continued)

21. Share capital

Company	2023 £	2022 £
Allotted, called up and fully paid		
Ordinary A shares of £0.001 each	10,495	10,495
Ordinary B shares of £0.001 each	1,687	1,687
	<u>12,182</u>	<u>12,182</u>

Number of shares in issue

	2023		2022	
	Ordinary A shares Number	Ordinary B shares Number	Ordinary A shares Number	Ordinary B shares Number
Number of shares at 1 April and 31 March	<u>10,494,809</u>	<u>1,687,142</u>	<u>10,494,809</u>	<u>1,687,142</u>

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.

22. Derivative financial instruments

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Floating to fixed interest rate swaps	<u>1,919,399</u>	<u>1,387,767</u>	-	-

The total notional principal amount of the outstanding derivative financial instruments at 31 March 2023 was £97,148,650 (2022: £86,293,900).

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.

Notes to the financial statements (continued)

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 the reporting date based on observable market exchange rates.

Interest rate swaps have been measured at fair value, as advised by the Group's professional advisors and based on observable market interest 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.

31 March 2023		Fair Value			
Group	Carrying Value	Level 1	Level 2	Level 3	
	£	£	£	£	
<i>Financial assets at FVTPL</i>					
Unlisted convertible loan notes	6,000,000	-	-	6,000,000	
<i>Derivative financial instruments at FVTPL</i>					
Floating to fixed Interest rate swaps	1,919,399	-	1,919,399	-	
31 March 2022		Fair Value			
Group	Carrying Value	Level 1	Level 2	Level 3	
	£	£	£	£	
<i>Financial assets at FVTPL</i>					
Unlisted convertible loan notes	6,000,000	-	-	6,000,000	
<i>Derivative financial instruments at FVTPL</i>					
Floating to fixed Interest rate swaps	1,387,767	-	1,387,767	-	

There have been no transfers between Level 1 and Level 2 during the year (2022: no transfers), and no transfers into or out of Level 3 fair value measurements (2022: no transfers).

Reconciliation of Level 3 fair values:

Group	2023	2022
	£	£
Balance at 1 April	6,000,000	12,000,000
Additions	-	-
Redemptions	-	(6,000,000)
Balance at 31 March	6,000,000	6,000,000

There were no gains or losses recognised on financial instruments classified as level 3 of the fair value hierarchy (2022: £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.

Notes to the financial statements (continued)

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.	
Interest rate swaps	The fair value of interest rate swaps is based on 3 rd party valuations. Fair value is calculated using the discounted cash flow methodology with future cash flows estimated based on forward interest rates from observable market curves.	

(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.

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.

Notes to the financial statements (continued)

The following table provides information about how expected credit losses for trade receivables are calculated:

Group 31 March 2023	Weighted Average Loss rate	Gross carrying amount £	Expected credit loss allowance £	Net carrying amount £
Current (not past due)	1.4%	1,057,494	(14,991)	1,042,503
1-30 days past due	11.3%	90,834	(10,230)	80,604
31-60 days past due	4.9%	336,256	(16,363)	319,893
61-90 days past due	43.5%	319,500	(139,080)	180,420
91+ days past due	82.5%	697,071	(574,962)	122,109
Total	30.2%	2,501,155	(755,626)	1,745,529

Group 31 March 2022	Weighted Average Loss rate	Gross carrying amount £	Expected credit loss allowance £	Net carrying amount £
Current (not past due)	0.7%	961,252	(7,090)	954,162
1-30 days past due	4.4%	113,254	(4,935)	108,319
31-60 days past due	35.8%	36,938	(13,215)	23,723
61-90 days past due	71.1%	225,201	(160,069)	65,132
91+ days past due	80.9%	509,707	(412,416)	97,291
Total	32.4%	1,846,352	(597,725)	1,248,627

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 2023	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash and bank balances	1%	26,318,610	26,318,610	-	-
Interest-bearing loans and borrowings	0.7% - 6.4%	852,881,722	738,881,722	-	114,000,000
Group 31 March 2022	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash and bank balances	0%-0.5%	21,377,343	21,377,343	-	-
Interest-bearing loans and borrowings ⁶	0% - 4%	817,213,028	702,678,936	534,092	114,000,000

⁶ The Interest-bearing loans and borrowings disclosure in relation to the group and company disclosures in Note 23 of the accounts, has been corrected to amend a typographical error in the comparative figures to reflect the appropriate aging of the shareholder loans, and has now been classified in the "less than one year" bracket in the 31 March 2023 comparatives.

Notes to the financial statements (continued)

Company 31 March 2023	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash	1%	929,639	929,639	-	-
Interest-bearing loans and borrowings	0.67%	490,564,740	490,564,740	-	-

Company 31 March 2022	Effective interest rate	Total £	Less than one year £	One to five years £	More than five years £
Cash	0%-0.5%	5,972,030	5,972,030	-	-
Interest-bearing loans and borrowings ⁷	0%-0.67%	460,648,076	460,648,076	-	-

The above tables do 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 2023, it was estimated that a general increase of one percentage point in interest rates would increase the Group's interest payable by approximately £2,450,000 (2022: £2,360,000) based on the average outstanding balance of variable rate interest-bearing liabilities during the period.

At 31 March 2023, it was estimated that a general increase of one percentage point in interest rates would have had no impact on the Company's interest payable for the year (2022: no impact) 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 31 March 2023	Carrying Amount £	Contractual Cash Flows £	Less than one year £	One to five years £	More than five years £
Non derivative financial liabilities					
Trade and other payables	19,446,695	19,446,695	19,446,695	-	-
Third party interest-bearing loans	362,316,982	440,961,143	104,223,855	92,622,009	244,115,279
Shareholder interest-bearing loans	490,564,740	490,564,740	490,564,740	-	-
Total financial liabilities	<u>872,328,417</u>	<u>950,972,578</u>	<u>614,235,290</u>	<u>92,622,009</u>	<u>244,115,279</u>

⁷ The Interest-bearing loans and borrowings disclosure in relation to the group and company disclosures in Note 23 of the accounts, has been corrected to amend a typographical error in the comparative figures to reflect the appropriate aging of the shareholder loans, and has now been classified in the "less than one year" bracket in the 31 March 2023 comparatives.

Notes to the financial statements (continued)

<i>Group</i> 31 March 2022	Carrying Amount £	Contractual Cash Flows £	Less than one year £	One to five years £	More than five years £
Non derivative financial liabilities					
Trade and other payables	7,670,927	7,670,927	7,670,927	-	-
Third party interest-bearing loans	356,564,952	414,745,615	19,084,910	158,230,259	237,430,446
Shareholder interest-bearing loans	460,648,076	460,648,076	460,648,076	-	-
Total financial liabilities	824,883,955	883,064,618	487,403,913	158,230,259	237,430,446
<i>Company</i> 31 March 2023	Carrying Amount £	Contractual Cash Flows £	Less than one year £	One to five years £	More than five years £
Non derivative financial liabilities					
Trade and other payables	26,628,864	26,628,864	26,628,864	-	-
Shareholder interest-bearing loans	490,564,740	490,564,740	490,564,740	-	-
Total financial liabilities	517,193,604	517,193,604	517,193,604	-	-
<i>Company</i> 31 March 2022	Carrying Amount £	Contractual Cash Flows £	Less than one year £	One to five years £	More than five years £
Non derivative financial liabilities					
Trade and other payables	17,725,515	17,725,515	17,725,515	-	-
Shareholder interest-bearing loans	460,648,076	460,648,076	460,648,076	-	-
Total financial liabilities	478,373,591	478,373,591	478,373,591	-	-

The directors of the Group and the Company consider the shareholder loans to be repayable in less than one year (2022: less than one year) as they relate to loans from the parent company which are repayable on demand and the Company does not have an unconditional right to defer settlement beyond one year. 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 12 months, including confirmation of its current intention not to seek repayment of these loans until the Company is in a financial position to be able to make repayment. Also 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 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Construction, infrastructure and other works	98,309,000	2,420,000	-	-

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.

Notes to the financial statements (*continued*)

The Group total at 31 March 2023 is related to the main build contract for the construction of residential properties classified as inventories and the Group total at 31 March 2022 was mainly comprised of the build contract of investment property currently under construction.

In the ordinary course of business, the Group is subject to claim and counterclaim against contractors. At the year end date, the Group has not made any provision for any amounts claimed (2022: £nil) as the directors consider there to be only a remote chance of settlement against the Group. The Group has also not recognised any contingent assets relating to amounts claimed from contractors (2022: £nil) as the recovery of such amounts is not yet considered to be virtually certain.

25. Related party transactions

Transactions with subsidiaries - Company

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

	2023	2022
	£	£
Knight Dragon Developments Limited	241,768,626	250,306,885
Knight Dragon Strategic Investments Limited	38,669,109	36,956,059
Knight Dragon Special Projects Limited	25,256,433	25,252,667
Greenwich Peninsula ESCO Limited	30,527,235	33,064,072
Upper Riverside B5 Limited (formerly Upper Riverside B3 Limited)	-	1,212,592
Knight Dragon Peninsula Place Limited	13,512,658	13,413,326
Knight Dragon Meridian Limited	147,481,967	142,653,502
GP Meridian Events Limited	5,118,888	6,604,682
Knight Dragon 18.02 Limited	-	2,090,194
Knight Dragon 18.03 Limited	-	3,738,737
Knight Dragon 19.04 Limited	2,674,281	2,652,070
Knight Dragon 19.05 Limited	75,295,532	11,325,868
Knight Dragon M0116 Limited	239,080	245,184
Knight Dragon M0104 Limited	1,421,331	41,823
Knight Dragon (N0205) Limited	862,487	31,964
Knight Dragon N0206 Limited	13,530,258	30,274,776
Knight Dragon M0121 Limited	7,708,545	7,032,390
Peninsula Quays Limited	7,015,978	6,966,907
Knight Dragon M0114 LLP	7,280	4,498
Knight Dragon M0114A Limited	943,795	939,394
Knight Dragon M0114B Limited	16,247	11,846
Knight Dragon M0115 Limited	5,005	2,314
Design District Limited	3,023,476	2,037,956
Knight Dragon Finance Limited	506,148	502,841
Knight Dragon Ventures Limited	-	5,135
Upper Riverside Residential Limited	58,772,227	60,700,791
Greenwich Peninsula Lettings Limited	541,857	208,694
Greenwich Peninsula Sales Limited	28,178	12,701
Loka Energy Limited	726,336	-
Knight Dragon Residential Overriding Lease Company Limited	6,776	-
Greenwich Peninsula Property Management Limited	46,799	-
Greenwich River Limited	6,277	2,520
Total amounts due from subsidiaries	675,712,809	638,292,388

During the year, the Company charged £4,407,688 (2022: £4,124,499) of interest to its subsidiaries. Interest is charged at rates ranging from 0%-0.67% per annum (2022: 0%-0.67% per annum). The balances are generally unsecured and have no fixed repayment date. The amount due from Knight Dragon M0116 Limited is secured on the assets of that company and is interest-free.

Also during the year, the Company made provisions for impairment of £6,437,985 (2022: £4,236,899) against loans to subsidiaries based on an assessment of recoverability at the reporting date.

Total provisions made against loans to subsidiaries at 31 March 2023, including provisions made in prior financial years, amount to £39,847,170 (2022: £33,409,185).

Notes to the financial statements (continued)

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

	2023 £	2022 £
Knight Dragon M0115 Limited	1,142,146	1,172,146
Knight Dragon M0103 Limited	4,784,798	4,481,589
Knight Dragon M0104 Limited	256,915	41,824
Knight Dragon M0117 Limited	1,344,121	1,256,536
Knight Dragon M0114 LLP	2,269,862	2,314,862
Knight Dragon Developments Limited	6,958,672	3,708,449
Design District Limited	4,128,427	3,278,809
Loka Energy Limited	152,189	572,844
Greenwich Peninsula ESCO Limited	-	16,604
Knight Dragon 19.05 Limited	2,845,808	334,043
Knight Dragon (N0205) Limited	-	31,965
Knight Dragon N0206 Limited	-	174,783
Greenwich Peninsula Lettings Limited	2,016,461	56,461
Greenwich Peninsula Sales Limited	301,396	266,396
Knight Dragon Meridian Limited	285,066	-
Knight Dragon Ventures Limited	44,259	-
Knight Dragon Finance Limited	400	400
Knight Dragon Services Limited	1	1
GP Lower Riverside District Manco Limited	1	1
GP Upper Riverside District Manco Limited	1	1
Total amounts due to subsidiaries	26,530,523	17,707,714

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

Transactions with the immediate parent company – Company & Group

The total balance owed to the Company's immediate parent company at 31 March 2023 was £490,564,740 (2022: £460,648,076). These loans currently carry an interest rate of 0.67% per annum (2022: 0.67% per annum), are unsecured and are repayable on demand.

Transactions with other related parties – Company & Group

The Company previously provided a guarantee of up to £5,100,000 (2022: £5,100,000) against a loan to an entity controlled by the larger group within which the Company is a member, in exchange for a guarantee fee of 2% per annum. During the year, the loan was repaid in full and therefore the amount guaranteed at 31 March 2023 was £nil (2022: £5,100,000). The amounts recognised as other income in relation to this guarantee fee amount to £39,178 (2022: £100,000). The amount owed to the Company at 31 March 2023 was £nil (2022: £271,233) and is included within trade and other receivables.

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 2023 amounted to £515,000 (2022: £515,000). 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 £516,879 (2022: £490,044). No amounts were owed at the reporting date (2022: £nil).

The directors and entities controlled by the directors invoiced the Group £nil (2022: £105,050) for residential units exchanged or reserved by these directors but sold on to third parties at a higher value prior to completion. The

Notes to the financial statements (*continued*)

amounts charged relate to the difference between the price exchanged or reserved and the price subsequently achieved from the incoming buyer.

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 year ended 31 March 2022. The consideration to be paid in relation to these transactions amounts to £571,100 (2022: £nil) and remains owed to the fellow group member at the reporting date and is included within trade and other payables.

26. Subsequent events

In connection with the preparation of the accompanying financial statements as at 31 March 2023, management has evaluated the impact of all subsequent events on the Group through to 12 October 2023, the date the financial statements were available to be issued, and has determined that there were three subsequent events requiring recognition or disclosure in the financial statements.

On the 19 April 2023 one of the subsidiaries of the Company, Knight Dragon Strategic Investments Limited, extended its £7.7m loan facility with the Bank of East Asia until 28th January 2025.

On 26 May 2023 one of the subsidiaries of the Company, Knight Dragon 19.05 Limited, entered into a 36-month £128.3m development funding agreement with three banks, Barclays Bank (37.5%) The Bank of East Asia (37.5%) and Shanghai Commercial Bank (25%). This should provide all the funding required to complete the subsidiary's development activities, during which time interest is capitalised. It will be repaid out of the unit sales receipts.

On the 16 June 2023 one of the subsidiaries of the Company, Upper Riverside Residential Limited, extended its £82m loan facility with the Bank of East Asia until 17 October 2025. Subsequently, a prepayment against the loan was made of £5.8m reducing the outstanding balance to £76.2m.

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 32/F New World Tower, 18 Queen's 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.