

# **Knight Dragon N0206 Limited**

Directors' report and financial statements

Registered number 6423434  
For the year ended 31 March 2019

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## **Directors' report**

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

### **Principal activities**

Knight Dragon N0206 Limited ("the Company") is a private 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 principal activity is to develop and sell residential units at Greenwich Peninsula in London.

### **Business review and future developments**

The Company is constructing 543 private and affordable units together with three retail properties across three buildings at Greenwich Peninsula in London. Phased completion is scheduled between late 2019 and early 2020.

The 65 affordable units were pre-sold in July 2016 to a registered provider of affordable housing.

The apartments in first of the three buildings have been released for sale and at the year end, 63 of the 126 private units in this building had exchanged.

### **Proposed dividend**

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

### **Going concern**

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

### **Financial risk management objectives and policies**

Information relating to the risks facing the Company and its risk management policies can be found in note 14 of the financial statements.

### **Directors and directors' interests**

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

J Rann  
R Margree

Neither 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's immediate parent maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors or employees of the Company or of any associated company.

### **Disclosure of information to auditor**

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

### **Auditor**

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



## Directors' report (*continued*)

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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


Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the 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 company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company 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

23 August 2019



## **Independent auditor's report to the members of Knight Dragon N0206 Limited**

### **Opinion**

We have audited the financial statements of Knight Dragon N0206 Limited ("the company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

### **Basis for opinion**

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

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

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

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

### **Going concern**

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

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

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

### **Directors' report**

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

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

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



## **Independent auditor's report to the members of Knight Dragon N0206 Limited** *(continued)*

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Henry Todd (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London E14 5GL

23 August 2019



**Statement of comprehensive income**  
*for the year ended 31 March 2019*

	<i>Notes</i>	<b>2019</b> £	2018 £
Revenue	2	2,955	-
Administrative expenses		(922,291)	(428,452)
<b>Loss before tax</b>		<b>(919,336)</b>	<b>(428,452)</b>
Taxation	6	156,287	(53,363)
<b>Total comprehensive loss for the year</b>		<b>(763,049)</b>	<b>(481,815)</b>

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



**Statement of financial position**  
*at 31 March 2019*

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Deferred tax assets	7	<u>613,343</u>	<u>457,056</u>
<b>Total non-current assets</b>		<u>613,343</u>	<u>457,056</u>
<b>Current assets</b>			
Inventories	8	<u>278,063,225</u>	<u>166,043,914</u>
Trade and other receivables	9	<u>316,563</u>	<u>389,280</u>
Cash at bank and in hand		<u>5,906</u>	<u>2,301</u>
<b>Total current assets</b>		<u>278,385,694</u>	<u>166,435,495</u>
<b>Total assets</b>		<u>278,999,037</u>	<u>166,892,551</u>
<b>Current liabilities</b>			
Trade and other payables	10	<u>(9,455,397)</u>	<u>(6,250,996)</u>
Contract liabilities	2	<u>(3,735,995)</u>	<u>-</u>
Deferred income	11	<u>-</u>	<u>(26,000)</u>
Interest-bearing loans and borrowings	12	<u>(112,623,166)</u>	<u>-</u>
<b>Total current liabilities</b>		<u>(125,814,558)</u>	<u>(6,276,996)</u>
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	12	<u>(155,017,018)</u>	<u>(161,685,045)</u>
<b>Total non-current liabilities</b>		<u>(155,017,018)</u>	<u>(161,685,045)</u>
<b>Total liabilities</b>		<u>(280,831,576)</u>	<u>(167,962,041)</u>
<b>Net liabilities</b>		<u>(1,832,539)</u>	<u>(1,069,490)</u>
<b>Equity</b>			
Ordinary shares	13	<u>1,919,138</u>	<u>1,919,138</u>
Retained deficit		<u>(3,751,677)</u>	<u>(2,988,628)</u>
<b>Total equity</b>		<u>(1,832,539)</u>	<u>(1,069,490)</u>

These financial statements were approved by the board of directors on 23 August 2019 and were signed on its behalf by:



**J Rann**  
Director  
Registered number 6423434

Notes on pages 9 to 20 form part of the financial statements



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

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2018	1,919,138	(2,988,628)	(1,069,490)
<b>Total comprehensive loss</b>			
Loss for the year	-	(763,049)	(763,049)
<b>Balance at 31 March 2019</b>	<b>1,919,138</b>	<b>(3,751,677)</b>	<b>(1,832,539)</b>

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2017	1,919,138	(2,506,813)	(587,675)
<b>Total comprehensive loss</b>			
Loss for the year	-	(481,815)	(481,815)
<b>Balance at 31 March 2018</b>	<b>1,919,138</b>	<b>(2,988,628)</b>	<b>(1,069,490)</b>

Notes on pages 9 to 20 form part of the financial statements



**Statement of cash flows**  
*for the year ended 31 March 2019*

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Loss for the year	(763,049)	(481,815)
Taxation	(156,287)	53,363
Loss before tax	(919,336)	(428,452)
<b>Adjustments for:</b>		
Increase in inventories	(101,113,804)	(128,507,948)
Decrease/(Increase) in trade and other receivables	72,717	(73,745)
Increase in trade and other payables	3,204,399	4,222,700
Increase in deferred income and contract liabilities	3,709,995	26,000
<b>Net cash used in operations</b>	(95,046,029)	(124,761,445)
Tax paid	-	-
<b>Net cash used in operating activities</b>	(95,046,029)	(124,761,445)
<b>Cash flows from financing activities</b>		
Proceeds from third-party loans	89,155,800	2,968,801
Proceeds from shareholder loans	96,027,633	125,896,034
Repayments of shareholder loans	(90,133,799)	(4,109,248)
<b>Net cash generated from financing activities</b>	95,049,634	124,755,587
Net increase/(decrease) in cash and cash equivalents	3,605	(5,858)
Cash and cash equivalents at 1 April	2,301	8,159
<b>Cash and cash equivalents at 31 March</b>	5,906	2,301

Notes on pages 9 to 20 form part of the financial statements



## Notes to the financial statements

### 1. Accounting policies

Knight Dragon N0206 Limited ("the Company") is a private company limited by shares incorporated, domiciled and registered in England and Wales in the UK.

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

#### ***Basis of preparation***

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and are prepared on the historical cost basis.

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

This is the first set of the Company's annual financial statements in which *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* have been applied. Changes to significant accounting policies are described in note 1.

#### ***Measurement convention***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### ***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 is dependent for its working capital on funds provided by its immediate parent company Knight Dragon Investments Limited ("KDIL"). KDIL has indicated its intention to provide necessary funding for the continuing operations of the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities when they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the 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.

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

The preparation of financial statements under IFRS 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 revenues and expenses 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.



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

### *Net realisable value of Inventory*

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

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 Company recognises revenue when each identified performance obligation is satisfied, control has passed to the customer and the Company has a right to receive payment.

### *Changes in significant accounting policies*

The Company has initially applied IFRS 15 and IFRS 9 from 1 April 2018. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Company's financial statements.

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

The effect of initially applying these standards is mainly attributed to the reclassification of certain elements of deferred income to contract liabilities (IFRS 15). The impact of adopting IFRS 9 was not considered to be material.

### IFRS 15 Revenue from Contracts with Customers

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

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

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

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

### *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. Inventory includes capitalised interest at a rate of London Interbank Offered Rate ("Libor") + 5% per annum relating to borrowings. These interest 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 the plot is assessed in each financial year and a provision for diminution in value is raised by the Board where cost (including costs to complete) exceeds net realisable value. In determining the recoverable amount, the Board has regard to independent market conditions affecting each plot and the underlying strategy for sale.

Total costs allocated to each site will include those directly attributable to that site as well as costs associated with the entire Greenwich Peninsula (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. The directors have implemented the advice of relevant external professional firms in determining the Assumptions used for the current sales values and build costs and future sales and cost inflation. The assessment of the valuation is very sensitive to these assumptions.

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

### **Financial instruments**

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

#### *Financial assets*

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

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

#### *Financial liabilities*

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

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

### **Cash and cash equivalents**

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

### **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.



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

### **Revenue**

Revenue is recognised as and when services and performance obligations are satisfied. Refer to note 2 for further information regarding the Company's revenue recognition policies.

### **Taxation**

Tax on the result for the year comprises current and deferred tax. Tax is recognised in the 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 balance sheet date, 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 balance sheet date.

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.

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

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

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

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

## **2. Revenue**

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

### **(A) Revenue streams**

All revenue recognised in the statement of comprehensive income for the year primarily relates to the sale of residential property. All revenue was generated within the UK.

Prior to the adoption of IFRS 15 on 1 April 2018, the Company had never recognised any revenue.



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

### (B) Contract balances

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

	As at 31 March 2019 £	As at 1 April 2018 (after transition to IFRS 15) £
Contract liabilities	(3,735,995)	(26,000)
<b>Net contract balances</b>	<b><u>(3,735,995)</u></b>	<b><u>(26,000)</u></b>

Contract liabilities at 1 April 2018 related to sales deposits received from customers for residential property, for which revenue has not yet been recognised because the relevant performance obligations have not yet been satisfied.

Contract liabilities at 31 March 2019 also related to sales deposits and advance payments received from customers before the performance obligation to construct residential property has been satisfied.

This will be recognised when construction of the property is complete, which is expected to be within the next 12 months.

The Company had no contract assets or receivables as at 1 April 2018 or 31 March 2019.

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

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy under IFRS 15 (applicable from 1 April 2018)	Explanation of any significant changes in accounting policy
<b>Sale of residential property</b>	<p>Contracts for the sale of the residential unit are exchanged in advance of the completion date, which is the point at which legal and beneficial ownership transfers from the Company to the customer.</p> <p>Full consideration is received on, or very shortly after the date of completion of the sale.</p> <p>Reservation and exchange deposits received in advance of completion are not deemed to constitute a significant financing component.</p>	Revenue from the sale of residential units is recognised at a point in time at completion of the sale.	No significant changes.



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

### 3. Remuneration of directors

The directors did not receive any remuneration from the Company for their services during the year (2018: £nil).

### 4. Staff numbers and costs

The Company did not directly employ any staff including directors during the year (2018: nil).

### 5. Expenses and auditor's remuneration

	2019 £	2018 £
Fee payable to the Company auditor for the audit of the financial statements	<u>2,750</u>	<u>1,590</u>

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

### 6. Taxation

#### Recognised in the statement of comprehensive income:

	2019 £	2018 £
Current tax on loss for the year	-	-
Current taxation	-	-
Adjustment in respect of prior financial years	-	408
Deferred tax adjustment	<u>156,287</u>	<u>(53,771)</u>
Deferred taxation	<u>156,287</u>	<u>(53,363)</u>
Total tax in the statement of comprehensive income	<u><u>156,287</u></u>	<u><u>(53,363)</u></u>

#### Reconciliation of effective tax rate:

	2019 £	2018 £
Loss before tax	(919,336)	(428,452)
Tax using the corporation tax rate of 19% (2018: 19%)	<u>174,674</u>	81,406
Adjustment in respect of prior financial years	-	408
Change in tax rate	(18,387)	(53,771)
Tax losses utilised – group relief	-	(81,406)
Total tax in the statement of comprehensive income	<u><u>156,287</u></u>	<u><u>(53,363)</u></u>

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



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

### 7. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2019 £	2018 £
Tax value of loss carried forward	613,343	457,056
Deferred tax assets	<u>613,343</u>	<u>457,056</u>

*Movement in deferred tax during the year:*

	1 April 2018 £	Recognised in statement of comprehensive income £	31 March 2019 £
Tax value of loss carried forward	457,056	156,287	613,343
	<u>457,056</u>	<u>156,287</u>	<u>613,343</u>

	1 April 2017 £	Recognised in statement of comprehensive income £	31 March 2018 £
Tax value of loss carried forward	510,419	(53,363)	457,056
	<u>510,419</u>	<u>(53,363)</u>	<u>457,056</u>

### 8. Inventories

	2019 £	2018 £
Work in progress	<u>278,063,225</u>	<u>166,043,914</u>

Inventory includes capitalised shareholder interest in the year of £9,803,816 (2018: £4,373,755) at a rate of Libor + 5% per annum relating to shareholder loans.

Inventory also includes capitalised Large Site Infrastructure Fund ("LSIF") interest of £837,083 (2018: £747,282) and capitalised interest on bank borrowings of £952,107 (2018: £nil). These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

The value of work in progress is pledged as security against the third party borrowings disclosed in note 12 at both 31 March 2019 and 31 March 2018.



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

### 9. Trade and other receivables

	2019 £	2018 £
VAT receivables	24,864	95,831
Intercompany receivables	291,699	293,449
	<u>316,563</u>	<u>389,280</u>

The intercompany receivables are non-interest bearing, unsecured and repayable on demand.

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

### 10. Trade and other payables

	2019 £	2018 £
Trade payables	7,390,799	5,825,519
Accruals	2,064,598	425,477
	<u>9,455,397</u>	<u>6,250,996</u>

Trade payables are unsecured, interest free and payable on demand. The fair value of trade and other payables approximates to the book value.

### 11. Deferred income

	2019 £	2018 £
Deferred income - reservation deposits*	<u>-</u>	<u>26,000</u>

\*Following the initial application of IFRS 15, advance payments received from customers are classified within contract liabilities. As explained in note 1, comparatives for the year ended 31 March 2018 have not been restated to reflect this change in accounting policy. For more details about balances from contracts with customers, see note 2.



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

### 12. Interest-bearing loans and borrowings

	2019 £	2018 £
<b>Current Liabilities</b>		
Large Site Infrastructure Fund loan	23,202,758	-
Bank loan	89,420,408	-
	<u>112,623,166</u>	<u>-</u>
<b>Long Term Liabilities</b>		
Large Site Infrastructure Fund loan	-	22,365,675
Loan from shareholder	155,017,018	139,319,370
	<u>267,640,184</u>	<u>161,685,045</u>

The directors of the Company believe the most likely period of repayment of the shareholder loan is one to five years (2018: one to five years). The shareholder loan currently attracts interest of Libor + 5% per annum.

The Large Site Infrastructure Fund ("LSIF") loan attracts variable interest at an average rate of 3.67% (2018: 3.75%). The bank loan attracts variable interest at an average rate of 4.3%. Both loans are repayable out of sales receipts and the directors believe the most likely period of repayment of both of these loans is less than 12 months.

During the year, the Company made drawdowns totalling £89,155,800 (2018: £2,221,519) and repayments of £nil (2018: £nil) against the LSIF and bank loan. Interest of £1,101,691 (2018: £747,282) was charged and capitalised into the loan balances during the year.

The directors consider the most likely period of repayment of the shareholder loan is one to five years (2018: one to five years) and the loan currently attracts interest of Libor + 5%. During the year, drawdowns totalling £5,893,833 (2018: £117,413,031) and repayments of £nil (2018: £nil) were made against the shareholder loan. Interest of £9,803,816 (2018: £4,373,755) was charged and capitalised into the loan balance during the year.

### 13. Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
1,919,138 Ordinary shares of £1 each - Knight Dragon Investments Ltd	1,919,138	1,919,138
	<u>1,919,138</u>	<u>1,919,138</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.



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

### 14. Financing Arrangements and Financial Instruments

Exposure to credit and interest rate risks arises in the normal course of the Company's business.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

All borrowings at 31 March 2019 and 31 March 2018 have variable interest rates which generally re-price quarterly. As such, a 0.1% rise in the 3 month LIBOR rate would increase the Company's annual interest expense by approximately £268,000 (2018: £162,000) based on the balance of interest-bearing borrowings outstanding at 31 March 2019

#### *Credit risk*

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

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the Statement of Financial Position equals the carrying amount, net of any impairment.

#### *Fair values*

There is no significant difference between the carrying value and the fair value of the financial instruments.

#### *Capital risk management*

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

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

There were no changes in the Company's approach to capital management during the year.

#### *Liquidity risk*

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

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

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



## Notes to the financial statements (continued)

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

As at 31 March 2019	Carrying Amount £	Contractual Cash Flows £	Less than One Year £	One to Five Years £	More than Five Years £
<b>Non Derivative Financial Liabilities</b>					
Trade payables & accrued expenses	9,455,397	9,455,397	9,455,397	-	-
Interest bearing loans	267,640,184	272,350,385	117,333,367	155,017,018	-
<b>Total</b>	<b>277,095,581</b>	<b>281,805,782</b>	<b>126,788,764</b>	<b>155,017,018</b>	<b>-</b>
<b>As at 31 March 2018</b>	<b>Carrying Amount £</b>	<b>Contractual Cash Flows £</b>	<b>Less than One Year £</b>	<b>One to Five Years £</b>	<b>More than Five Years £</b>
<b>Non Derivative Financial Liabilities</b>					
Trade payables & accrued expenses	6,276,996	6,276,996	6,276,996	-	-
Interest bearing loans	161,685,045	161,685,045	-	161,685,045	-
<b>Total</b>	<b>167,962,041</b>	<b>167,962,041</b>	<b>6,276,996</b>	<b>161,685,045</b>	<b>-</b>

Of the total loans of £267,640,184 (2018: £161,685,045), £155,017,020 (2018: £139,319,370) is a loan from the Company's immediate parent company Knight Dragon Investments Limited ("KDIL"), and £23,202,758 (2018: £22,365,675) from the Homes and Communities Agency, trading as Homes England ("HE"), through the Large Site Infrastructure Fund ("LSIF") and £89,420,406 (2018: £nil) is a loan from HSBC Plc, The Bank of East Asia and Lloyds Bank Plc.

At 31 March 2019, the directors of the Company consider the shareholder loan payable in a period of one to five years (2018: one to five years) as it is a loan from the immediate parent company who is unable to seek repayment until funds become available. Given the profile of the development, they believe this to represent the most likely period of repayment.

The Company is a party to a £90,000,000 ten-year development facility dated 31 March 2016 with HE. The tranche relating to the Company is £22,000,000 and is repayable out of the sale proceeds. This facility was varied on 29 March 2019, extending the total available facility to £115,000,000 and the maturity date to 29 March 2030. The other parties to the facility are Knight Dragon (N0205) Ltd, Knight Dragon Finance Ltd, Design District Ltd & Knight Dragon Meridian Ltd and the obligations are subject to a cross guarantee, which falls away once an entity repays its tranche. At 31 March 2019, £21,306,329 (2018: £21,306,329) plus interest of £1,896,429 (2018: £1,059,346) had been drawn down under this facility.

The bank loan forms part of a £224,000,000 30 month development loan facility executed on 30 October 2018, repayable out of sale proceeds.

The immediate parent company has indicated via statements of support for the Company that it would support the Company for a period of at least the next 12 months. See note 1, Going Concern.



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

### 15. Related party transactions

At 31 March 2019, the Company has a loan of £155,017,020 (2018: £139,319,370) from its immediate parent company Knight Dragon Investments Limited ("KDIL"). Interest of £9,803,816 (2018: £4,381,781) was charged by KDIL during the year.

The Company has a receivable of £291,699 (2018: £293,449) from KDIL at the year end.

The Company was charged £3,201,372 (2018: £1,596,470) by Knight Dragon Developments Limited, a fellow subsidiary of KDIL, for development management and other professional services provided during the year.

### 16. 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 Investments Limited, a company registered in England & Wales whose registered office is Level 9, 6 Mitre Passage, Greenwich Peninsula, London SE10 0ER. The results of the Company are consolidated in the group headed by KDIL. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

The Company's results are also included within the consolidated financial statements of Chow Tai Fook Enterprises Limited (incorporated and registered in Hong Kong), which is the 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.