Knight Dragon N0206 Limited

Directors' report and financial statements

Registered number 6423434

For the year ended 31 March 2021

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Contents

Strategic Report

Business Review

During the year, the Company continued to sell residential properties at Upper Riverside, Greenwich Peninsula. In April 2020, all 191 residential units in the second building ("Building 4") were sold to a fellow group company, Upper Riverside Residential Limited in addition to 27 residential units which were sold to another fellow group company, Upper Riverside B3 Limited. 79 units were sold to third parties giving a total of 297 residential units sold during the year. At 31 March 2021, 106 residential units remained unsold, of which 7 units were exchanged and a further 4 units had been reserved.

The Company is currently assessing options for the 3 commercial units on the ground floor of each building.

The results for the year are set out on page 10 and show a loss before tax of £1.7m. This loss was wholly attributable to finance costs on interest bearing loans.

At 31st March 2021, the Company had net liabilities of £9.5m (2020: £5.9m). The Company remains dependant on its immediate parent to provide working capital and to continue to make the loan facility described in note 11 available. The immediate parent company has provided confirmation of its willingness to continue its support for the foreseeable future.

Key performance indicators

Key performance indicators are given below:

	2021	2020
	£	£
Revenue	**212,880,168**	62,560,432
Operating profit/(loss) before tax and finance costs	**1,736,568**	(3,578,656)

Future developments

Over the course of the next financial year, the Company expects to complete the sale of the majority of the remaining units as well as to continue to provide aftercare and warranty services to purchasers. The future of the Company will be re-assessed once all units have been sold and all outstanding obligations have been fulfilled.

Risks and uncertainties

The principal risks and uncertainties facing the business are price risk relating to the sales value of inventories, interest rate risk on outstanding interest-bearing loans and liquidity risk.

The directors regularly review the project and seek to mitigate price risk by responding to market forces appropriately.

The directors currently consider interest rate risk to be small and therefore do not actively manage this risk, but keep this under review and will respond if and when market conditions change.

The main objective towards liquidity risk is to manage the Company's working capital requirements by ensuring that there is sufficient working capital to meet the Company's commitments as they fall due. This is primarily managed by the Company's immediate parent acting as the Group's treasurer in order to manage cashflow requirements on a group-wide basis.

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

Covid-19

Covid-19 continues to be a situation of concern and continues to adversely impact global commercial activities. However, the progress that has been made to combat the pandemic, in particular the global vaccination rollout, will hopefully enable more typical market conditions to return.

The directors continue to monitor developments relating to Covid-19 and will continue to adjust the Company's operational response in line with existing business continuity plans and on guidance from global health organisations, government bodies and general pandemic response best practices.

Strategic Report *(continued)*

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 16 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 the Company.

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.

Lenders

The Company's principal activity is 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. Engagement is largely carried out through meetings and negotiations with our key relationships and via ongoing compliance monitoring. The key engagement topic during the year was the refinancing of the bank loan and extension to the existing repayment date.

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 Company does not directly employ any staff.

Customers and community

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. Engagement with the local community is predominantly undertaken by other group companies.

Principal decisions

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

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

Strategic Report *(continued)*

Environment

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

On behalf of the board

R Margree
Director

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

13 August 2021

Directors' report

The directors present the directors' report and financial statements for the year ended 31 March 2021.

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.

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.

Proposed dividend

The directors do not recommend the payment of a dividend (2020: £nil).

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 Company have been included within the strategic report.

Financial risk management objectives and policies

Information relating to the risks facing the Company and its risk management policies can be found in note 13 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 in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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

J Rann
Director

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

13 August 2021

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 2021 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the impairment of inventories. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from contractual sales of residential units recognized at a point in time at completion of the sale which is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, building regulations and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance.

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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

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

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

Craig Steven-Jennings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
13 August 2021

Statement of comprehensive income
for the year ended 31 March 2021

	Notes	**2021**	2020
		£	£
Revenue	*2*	**212,880,168**	62,560,432
Cost of sales		**(210,132,867)**	(63,181,970)
Gross profit/(loss)		**2,747,301**	(621,538)
Impairment losses	*7*	**-**	(1,919,741)
Other income		**64,263**	54,777
Administrative expenses		**(1,074,996)**	(1,092,154)
Operating profit/(loss) before tax		**1,736,568**	(3,578,656)
Finance costs		**(3,469,031)**	-
Loss before tax		**(1,732,463)**	(3,578,656)
Taxation	*6*	**(1,831,909)**	(502,687)
Total comprehensive loss for the year		**(3,564,372)**	(4,081,343)

There are no other items of comprehensive income other than the loss for the year.

Notes on pages 14 to 23 form part of the financial statements

Statement of financial position
at 31 March 2021

	Note	**2021**	2020
		£	£
Non-current assets			
Deferred tax assets		-	110,655
Total non-current assets		-	110,655
Current assets			
Inventories	7	**93,196,808**	305,767,246
Trade and other receivables	8	**21,342,896**	1,729,401
Cash at bank and in hand		**293,972**	117,128
Pledged and restricted bank deposits		**3,169,428**	2,796,179
Total current assets		**118,003,104**	310,409,954
Total assets		**118,003,104**	310,520,609
Current liabilities			
Trade and other payables	9	**(3,479,421)**	(1,742,889)
Contract liabilities	2	**(32,000)**	(244,596)
Provisions	10	**(7,501,877)**	(12,612,530)
Interest-bearing loans and borrowings	11	**(116,468,060)**	(156,263,519)
Total current liabilities		**(127,481,358)**	(170,863,534)
Non-current liabilities			
Interest-bearing loans and borrowings	11	-	(145,570,957)
Total non-current liabilities		-	(145,570,957)
Total liabilities		**(127,481,358)**	(316,434,491)
Net liabilities		**(9,478,254)**	(5,913,882)
Equity			
Share capital	12	**1,919,138**	1,919,138
Retained deficit		**(11,397,392)**	(7,833,020)
Total equity		**(9,478,254)**	(5,913,882)

These financial statements were approved by the board of directors on 13 August 2021 and were signed on its behalf by:

J Rann
Director
Registered number 6423434

Notes on pages 14 to 23 form part of the financial statements

Statement of changes in equity
for the year ended 31 March 2021

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2020	1,919,138	(7,833,020)	(5,913,882)
Total comprehensive loss			
Loss for the year	-	(3,564,372)	(3,564,372)
Balance at 31 March 2021	**1,919,138**	**(11,397,392)**	**(9,478,254)**

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2019	1,919,138	(3,751,677)	(1,832,539)
Total comprehensive loss			
Loss for the year	-	(4,081,343)	(4,081,343)
Balance at 31 March 2020	**1,919,138**	**(7,833,020)**	**(5,913,882)**

Notes on pages 14 to 23 form part of the financial statements

Statement of cash flows
for the year ended 31 March 2021

	2021	2020
	£	£
Cash flows from operating activities		
Loss for the year	**(3,564,372)**	(4,081,343)
Adjustments for:		
Taxation	**1,831,909**	502,687
Finance costs	**3,469,031**	-
Decrease/(Increase) in inventories	**212,570,438**	(11,995,166)
Increase in trade and other receivables	**(19,613,495)**	(1,412,838)
Increase/(Decrease) in trade and other payables	**15,278**	(7,712,505)
Decrease in contract liabilities	**(212,596)**	(3,491,399)
(Decrease)/Increase in provisions	**(5,110,653)**	12,612,530
Net cash generated from/(used in) operations	**189,385,540**	(15,578,034)
Tax paid	**-**	-
Net cash generated from/(used in) operating activities	**189,385,540**	(15,578,034)
Cash flows from financing activities		
Proceeds from third-party loans	**24,505,204**	91,500,000
Repayments of third-party loans	**(138,895,193)**	(54,552,608)
Proceeds from shareholder loans	**9,911,500**	75,500,342
Repayments of shareholder loans	**(81,878,097)**	(93,962,299)
Finance costs paid	**(2,478,861)**	-
Placement of pledged and restricted bank deposits	**(373,249)**	(2,796,179)
Net cash (used in)/generated from financing activities	**(189,208,696)**	15,689,256
Net increase in cash and cash equivalents	**176,844**	111,222
Cash and cash equivalents at 1 April	**117,128**	5,906
Cash and cash equivalents at 31 March	**293,972**	117,128

Notes on pages 14 to 23 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 accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 has net current liabilities at 31 March 2021 of £9,478,254 (2020: £139,546,42) including a shareholder loan of £74,122,050 which is repayable on demand. The Company also made a loss of £3,564,372 during the year (2020: £4,081,343).

The Company is dependent for its working capital on funds provided by its immediate parent company, KDIL. KDIL has indicated its intention to provide necessary funding for the continuing operations of the Company. KDIL has prepared cash flow forecasts for the 18 months ending 30 September 2022 which indicate that, based on current forecasts, the group headed by KDIL ("the Group") is dependent for its working capital on funds provided by the KDIL's immediate parent company Knight Dragon Limited. Knight Dragon Limited has indicated its intention not to seek repayment of the amounts due until the Group is in a position to do so and, should the need arise, to provide necessary funding for the continuing operations of the Group. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities when they fall due for payment.

When assessing the ability of the Group to operate as a going concern, the directors of KDIL have applied additional caution to assumptions of the key inputs of the cash flow forecasts and have reviewed sensitivities around possible 'severe but plausible downside' scenarios.

Covid-19 continues to be a situation of concern and continues to adversely impact global commercial activities. However, the progress that has been made to combat the pandemic, in particular the global vaccination rollout, will hopefully enable more typical market conditions to return and for the Company to mitigate the reduction in business and operational performance.

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 their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 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.

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 assessment of net realisable value, the directors have made use of recent sales data of comparable properties nearby by both the Company and other group companies.

A 5% reduction in the assessment of net realisable value of the Company's inventories would have increased the Company's loss before tax by approximately £3.9m.

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.

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 the effective interest rate on borrowings. These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

The recoverable amount is assessed in each financial year and a provision for diminution in value is raised 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 and the underlying strategy for sale.

Taking the above into account, 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.

Notes to the financial statements *(continued)*

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.

Restricted bank balances do not form part of cash and cash equivalents because they cannot be utilised at the Company's discretion.

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.

Transactions costs which are directly attributable to borrowings are amortised to the statement of comprehensive income on a straight-line basis over the expected life of the financial liability.

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

There are no Adopted IFRSs which have been issued but have not been applied to these financial statements.

Notes to the financial statements *(continued)*

2. Revenue

(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.

(B) Contract balances

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

	2021	2020
	£	£
Receivables, included within trade and other receivables	**126,398**	1,172,398
Contract liabilities	**(32,000)**	(244,596)
Net contract balances	**94,398**	927,802

Contract receivables at 31 March 2021 and 31 March 2020 relate to amounts owed from customers in relation to residential property sales.

Contract liabilities at 31 March 2021 and 31 March 2020 relate to sales deposits received from customers in advance of the sale of residential properties. The full amount of contract liabilities at 31 March 2020 was recognised as revenue during the year ended 31 March 2021 and the balance at 31 March 2021 is expected to be recognised as revenue within the next 12 months.

(C) 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	Contracts for the sale of the residential properties 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. Full consideration is received on, or very shortly after the date of completion of the sale. Reservation and exchange deposits received in advance of completion are not deemed to constitute a significant financing component.	Revenue from the sale of residential units is recognised at a point in time at completion of the sale.

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 (2020: £nil).

4. Staff numbers and costs

The Company did not directly employ any staff including directors during the year (2020: none).

5. Expenses and auditor's remuneration

	2021	2020
	£	£
Fee payable to the Company auditor for the audit of the financial statements	**9,450**	2,810

There were no non-audit fees paid to the auditor (2020: none).

6. Taxation

Recognised in the statement of comprehensive income:

	2021	2020
	£	£
Current tax on loss for the year	**1,721,254**	-
Current taxation	**1,721,254**	-
Deferred tax adjustment in respect of prior financial years	**110,655**	-
Deferred tax adjustment in respect of the current financial year	-	502,687
Deferred taxation	**110,655**	502,687
Total tax in the statement of comprehensive income	**1,831,909**	502,687

Reconciliation of effective tax rate:

	2021	2020
	£	£
Loss before tax	**(1,732,463)**	(3,578,656)
Tax using the effective corporation tax rate of 19% (2020: 19%)	**329,168**	679,945
Adjustment in respect of prior financial years	**(110,655)**	(156,287)
Change in tax rate	-	53,771
Expenses not deductible for tax	**(4,209,787)**	(1,080,116)
Group relief	**2,159,365**	-
Total tax in the statement of comprehensive income	**(1,831,909)**	(502,687)

Notes to the financial statements *(continued)*

7. Inventories

	2021	2020
	£	£
Completed properties held for sale	**93,196,808**	305,767,246
	93,196,808	305,767,246

Inventories do not include any finance costs capitalised during the year as construction activity completed prior to the start of the financial year.

During the year ended 31 March 2020, shareholder loan interest of £9,015,894 and third party finance costs of £6,692,961 were capitalised into the carrying amount of inventories. These finance costs were directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

The value of inventories is pledged as security against the third party borrowings disclosed in note 12 at both 31 March 2021 and 31 March 2020.

The value of inventories recognised as cost of sales during the year amounted to £209,794,756 (2020: £62,861,753) and the value of inventories recognised as impairment losses during the year amounted to £nil (2020: £1,919,741).

8. Trade and other receivables

	2021	2020
	£	£
Amounts due from group companies	**19,622,549**	284,949
Other receivables	**1,696,092**	1,380,483
VAT receivables	**24,255**	63,969
	21,342,896	1,729,401

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

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

9. Trade and other payables

	2021	2020
	£	£
Trade payables	**141,666**	98,968
Accruals	**473,664**	992,119
Amounts due to group companies	**250,763**	651,664
Corporation tax payable	**1,721,254**	-
Other payables	**892,074**	138
	3,479,421	1,742,889

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

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

Notes to the financial statements *(continued)*

10. Provisions

	2021	2020
	£	£
Provisions for future development costs	**7,501,877**	12,612,530

Provisions at 31 March 2021 and 31 March 2020 relate to an estimate of the future development costs for which there is a present obligation but for which the amount and/or timing is uncertain.

11. Interest-bearing loans and borrowings

	2021	2020
	£	£
Current Liabilities		
Large Site Infrastructure Fund loan ("LSIF")	-	24,088,807
Bank loan	**42,671,436**	132,174,712
Loan from shareholder	**74,122,050**	-
Amortised transaction costs	**(325,426)**	-
	116,468,060	156,263,519
Non-current Liabilities		
Loan from shareholder	-	145,570,957
	116,468,060	301,834,476

The bank loan attracts variable interest at an average rate of 3% (2020: 4.25%). The loan is secured against inventories, is repayable out of sales receipts and is repayable by 15 December 2021.

During the year, the Company made drawdowns totalling £24,505,204 (2020: £91,500,000) and repayments of £138,895,193 (2020: £54,552,608) against the LSIF and bank loans. Interest of £2,465,837 (2020: £6,692,961) was charged on the outstanding loan balances during the year.

The directors of the Company consider the shareholder loan to be repayable in less than 12 months because it is 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 the loan until such time that the Company is in a financial position to be able to repay the loan. The directors of the Company believe the most likely period of repayment of the shareholder loan is between one and five years. Interest is currently charged at 0.67% per annum. The loan is unsecured.

12. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1,919,138 Ordinary shares of £1 each	**1,919,138**	1,919,138
	1,919,138	1,919,138

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)*

13. 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 third party borrowings at 31 March 2021 and all borrowings, including shareholder borrowings, and 31 March 2020 have variable interest rates which generally re-price quarterly. As such, a 1% rise in the 3 month LIBOR rate would increase the Company's annual interest expense by approximately £425,000 (2020: £3,020,000) based on the balance of interest-bearing borrowings outstanding at 31 March.

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.

At 31 March 2021	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	3,429,206	3,429,206	3,429,206	-	-
Interest bearing loans – shareholder loans	74,122,050	74,122,050	74,122,050	-	-
Interest bearing loans – third party loans	42,671,436	43,127,807	43,127,807		
Total	**120,222,692**	**120,679,063**	**120,679,063**		

At 31 March 2020	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	1,742,889	1,742,889	1,742,889	-	-
Interest bearing loans – shareholder loans	145,570,957	145,570,957	-	145,570,957	-
Interest bearing loans – third party loans	156,263,519	162,790,808	162,790,808	-	-
Total	**303,577,365**	**310,104,654**	**164,533,697**	**145,570,957**	**-**

Of the total loans of £116,793,486 (2020: £301,834,476), £74,122,050 (2020: £145,570,957) is a loan from the Company's immediate parent company Knight Dragon Investments Limited ("KDIL") and £42,671,436 (2020: £132,174,712) is a loan from HSBC Plc, The Bank of East Asia and Lloyds Bank Plc. The loan from the Homes and Communities Agency, trading as Homes England ("HE"), through the Large Site Infrastructure Fund ("LSIF") was fully repaid during the year (2020: outstanding loan of £24,088,807).

The directors of the Company consider the shareholder loan to be repayable in less than 12 months because it is 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 the loan until such time that the Company is in a financial position to be able to repay the loan. The directors of the Company believe the most likely period of repayment of the shareholder loan is between one and five years (2020: one to five years). Interest is currently charged at 0.67% per annum (2020: Libor + 5%). The loan is unsecured.

The Company is a party to a £115,000,000 14 year development facility dated 31 March 2016 with HE, amended on the 29 March 2019 and further amended on 17 April 2020. The tranche relating to the Company is £22,000,000 plus accrued interest and is repayable out of the sale proceeds. The other parties to the facility are Upper Riverside B3 Limited, Knight Dragon Finance Limited, Design District Limited & Knight Dragon Meridian Limited and the obligations are subject to a cross guarantee, which falls away once an entity repays its tranche. At 31 March 2021, the company had fully repaid its tranche and therefore the cross guarantee was no longer subsisting at the year end. At 31 March 2020,. the balance outstanding in relation to the Company was £24,088,807 and amounts owed by the other parties to the facility amounted to £53,837,699.

Notes to the financial statements *(continued)*

The bank loan forms part of a development loan facility executed on 30 October 2018 which is repayable out of sale proceeds. The loan facility was amended on 17 April 2020 which reduced the facility amount from £208,000,000 to £74,769,000 and extended the repayment date from 30 April 2020 to 15 December 2021.

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

14. Related party transactions

At 31 March 2021, the Company has a loan of £74,122,050 (2020: £145,570,957) from its immediate parent company Knight Dragon Investments Limited ("KDIL"). Interest of £517,690 (2020: £9,015,594) was charged by KDIL during the year. The Company also has a receivable of £293,449 (2020: £284,949) from KDIL at the year end.

The Company was charged £366,026 (2020: £1,864,232) by a fellow subsidiary of KDIL for development management and other professional services provided during the year. The Company owed £250,763 (2020: £651,664) to that entity at 31 March 2021.

The Company made property sales of £162,570,000 (2020: £3,770,000) to fellow subsidiaries of KDIL during the year. An amount of £19,329,100 was owed in respect of these sales at 31 March 2021 (2020: £nil).

The Company was charged £10,855 (2020: £23,689) in professional fees relating to lettings management services provided by a fellow subsidiary of KDIL during the year. No amounts were owed at 31 March 2021 (2020: £nil).

The directors, entities controlled by the directors and key management personnel charged the Company £95,200 (2020: £nil) for residential units reserved but sold-on to third parties at a higher value prior to completion. The amounts charged relate to the difference between the price reserved and the price subsequently achieved from the incoming buyer. No amounts were owed at 31 March 2021 (2020: £nil).

In the prior financial year to 31 March 2020, the Company was charged a fee of £1,298,400 by a fellow subsidiary of KDIL for connecting to the local heat network owned by that entity.

15. Subsequent events

In connection with the preparation of the accompanying financial statements as at 31 March 2021, management has evaluated the impact of all subsequent events on the Company through to 13 August 2021, the date the financial statements were available to be issued, and has determined that there were no additional subsequent events requiring recognition or disclosure in the financial statements.

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.