

Knight Dragon N0206 Limited

Directors' report and financial statements

Registered number 06423434
For the year ended 31 March 2023



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Strategic Report

Business Review

During the year, the Company continued to sell residential properties at Upper Riverside, Greenwich Peninsula. 32 (2022: 69) units were sold, including 12 (2022: 46) units sold to group companies and 19 (2022: 23) units sold to unrelated third parties. At 31 March 2023, 6 (2022: 37) residential units were reserved or available for sale and are expected to be sold during the next 12 months. In addition to the residential apartments, the Company is currently assessing disposal opportunities of three commercial units located across the buildings.

The results for the year are set out on page 10 and show a loss before tax of £2.2m.

At 31st March 2023, the Company had net liabilities of £14.6m (2022: £12.3m). The Company remains dependant on its immediate parent to provide working capital and to continue to make the loan facility described in note 13 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:

	2023 £	2022 £
Revenue	26,835,286	58,489,186
Operating loss before tax and finance costs	(1,973,696)	(2,673,682)

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 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 and liquidity risk.

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

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.

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 17 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.

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 is 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 a 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.

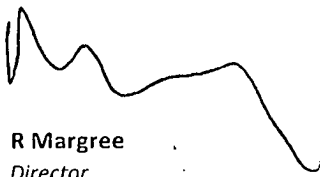
Strategic Report (*continued*)

Environment and Streamlined Energy & Carbon Reporting

The Company has not reported energy usage and carbon emissions required by the Streamlined Energy & Carbon Reporting (SECR) Regulations because it is a low energy user with annual energy usage of less than 40 MWh.

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

28 November 2023

Directors' report

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

Principal activities

Knight Dragon N0206 Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Level 9, 6 Mitre Passage, Greenwich Peninsula, London SE10 0ER.

The 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 (2022: £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 has been included within the strategic report.

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

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

Directors' report (*continued*)

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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

28 November 2023

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Knight Dragon N0206 Limited ("the Company") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Non-compliance with laws and regulations

Based on:

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

We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006.

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

Our procedures in respect of the above included:

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

Fraud

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

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

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

Our procedures in respect of the above included:

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

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting

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

one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the 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.

DocuSigned by:

Alexander Tapp

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Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date 29 November 2023

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

Statement of comprehensive income
for the year ended 31 March 2023

	<i>Notes</i>	2023 £	2022 £
Revenue	2	26,835,286	58,489,186
Cost of sales		(26,842,569)	(60,236,922)
Gross loss		<u>(7,283)</u>	<u>(1,747,736)</u>
Other income		328	9,172
Other losses	5	(1,305,947)	-
Administrative expenses	6	(660,794)	(935,118)
Operating loss before tax		<u>(1,973,696)</u>	<u>(2,673,682)</u>
Finance costs	7	(230,049)	(1,883,345)
Loss before tax		<u>(2,203,745)</u>	<u>(4,557,027)</u>
Taxation	8	-	1,681,556
Total comprehensive loss for the year		<u><u>(2,203,745)</u></u>	<u><u>(2,875,471)</u></u>

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

Notes on pages 13 to 21 form part of the financial statements

Statement of financial position
at 31 March 2023

	Note	2023 £	Restated 2022 £
Current assets			
Inventories	9	6,382,579	32,394,155
Trade and other receivables	10	10,739,074	1,750,062
Cash at bank and in hand		915,656	259,169
Pledged and restricted bank deposits		-	500,000
Total current assets		18,037,309	34,903,386
Total assets		18,037,309	34,903,386
Current liabilities			
Trade and other payables	11	(149,492)	(956,445)
Contract liabilities	2	(15,000)	(14,000)
Provisions	12	(1,092,279)	(3,758,420)
Interest-bearing loans and borrowings	13	(31,338,008)	(42,528,246)
Total current liabilities		(32,594,779)	(47,257,111)
Total liabilities¹		(32,594,779)	(47,257,111)
Net liabilities		(14,557,470)	(12,353,725)
Equity			
Share capital	14	1,919,138	1,919,138
Retained deficit		(16,476,608)	(14,272,863)
Total equity		(14,557,470)	(12,353,725)

These financial statements were approved by the board of directors on 28 November 2023 and were signed on its behalf by:



J Rann
Director
Registered number 06423434

Notes on pages 13 to 21 form part of the financial statements

¹ In preparing the current years financial statements it was noted that there was a casting error in the total liabilities line for the prior year (year-ended 31 March 2022). This line should have stated total liabilities as £47,257,111 but was incorrectly stated as £47,934,354. This error has been correct and has no impact on any other sections of the financial statements.

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

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2022	1,919,138	(14,272,863)	(12,353,725)
Total comprehensive loss			
Loss for the year	-	(2,203,745)	(2,203,745)
Balance at 31 March 2023	1,919,138	(16,476,608)	(14,557,470)

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2021	1,919,138	(11,397,392)	(9,478,254)
Total comprehensive loss			
Loss for the year	-	(2,875,471)	(2,875,471)
Balance at 31 March 2022	1,919,138	(14,272,863)	(12,353,725)

Notes on pages 13 to 21 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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from IFRS, the Company has made no measurement and recognition adjustments.

The Company's immediate parent undertaking, Knight Dragon Investments Limited ("KDIL") includes the Company in its consolidated financial statements. The consolidated financial statements of KDIL are prepared in accordance with International Accounting Standards and are available to the public and may be obtained from Level 9, 6 Mitre Passage, Greenwich Peninsula, London SE10 0ER.

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

FRS101 Disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of cash flows and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of transactions with other wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of the immediate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Measurement convention

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

Notes to the financial statements (*continued*)

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The Company had net current liabilities and net liabilities of £14,557,470 at 31 March 2023 (2022: £12,353,725) including a shareholder loan of £31,338,008 which is repayable on demand. The Company also made a loss of £2,203,745 during the year (2022: loss £2,875,471). 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 in order to assess going concern of the group headed by KDIL ("the Group"). Those forecasts take into account the successful refinancing of third parties' loans held by other group companies totalling £89,716,000 during the time between the reporting date and signing these financial statements. The forecasts indicate that, based on current expectations and taking account of reasonably possible downsides, the Group and KDIL are dependent for their working capital on funds provided by the KDIL's immediate parent Knight Dragon Limited. Knight Dragon Limited has indicated its intention not to seek repayment of the amounts due and, should the need arise, to provide necessary funding for the continuing operations of the Group and KDIL, during the going concern assessment period.

As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the 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 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 £0.3m.

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.

Notes to the financial statements (*continued*)

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.

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.

Notes to the financial statements (*continued*)

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.

Cost of sales

Cost of sales are costs relating to the costs of the development of residential properties. Development costs are initially recognised as inventories and are subsequently recognised in the statement of comprehensive income at the time of the related property sale. Further information regarding the Company's revenue recognition policy can be found in note 2.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As lessor

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

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

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

Other lease receipts and payments

The company, under various lease agreements, also receives ground rent receipts that it is obliged to pass-through to third-party entities. These rental receipts and corresponding payments are not recorded within the statement of comprehensive income. The balance between rents received and paid under these lease agreements is recorded within the statement of financial position as either a current asset or current liability.

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.

Notes to the financial statements (continued)

Provisions

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

2. Revenue

(A) Revenue streams

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.

	2023 £	2022 £
Receivables, included within trade and other receivables	-	126,398
Contract liabilities	(15,000)	(14,000)
Net contract balances	(15,000)	112,398

Contract receivables at 31 March 2022 relate to amounts owed from customers in relation to residential property sales.

Contract liabilities at 31 March 2023 and 31 March 2022 relate to sales deposits received from customers in advance of the sale of residential properties. The full amount of contract liabilities at 31 March 2022 was recognised as revenue during the year ended 31 March 2023 and the balance at 31 March 2023 is expected to be recognised as revenue within the next 12 months upon legal completion of the related property sales.

(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	<p>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.</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.

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 (2022: £nil).

4. Staff numbers and costs

The Company did not directly employ any staff including directors during the year (2022: none).

5. Other (losses)/income

	2023	2022
	£	£
Provision for intercompany receivables	917,426	-
Impairment of inventories	388,521	-
	<u>1,305,947</u>	<u>-</u>

6. Expenses and auditor's remuneration

	2023	2022
	£	£
Administrative costs include the following:		
Fee payable to the Company auditor for the audit of the financial statements	15,000	13,500
	<u>15,000</u>	<u>13,500</u>

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

7. Finance costs

	2023	2022
	£	£
Interest payable on third party loans	-	908,630
Amortisation of transaction costs	-	550,278
Interest payable on shareholder borrowings	230,049	424,437
	<u>230,049</u>	<u>1,883,345</u>

8. Taxation

Recognised in the statement of comprehensive income:

	2023	2022
	£	£
Adjustments in respect of prior financial years	-	1,681,556
Total tax in the statement of comprehensive income	<u>-</u>	<u>1,681,556</u>

Notes to the financial statements (continued)

Reconciliation of effective tax rate:

	2023 £	2022 £
Loss before tax	(2,203,745)	(4,557,027)
Tax using the UK corporation tax rate of 19% (2022: 19%)	418,712	865,835
Adjustment in respect of prior financial years	-	1,681,556
Expenses not deductible for tax	(485,466)	(1,025,921)
Other tax adjustments	(174,311)	-
Group relief	241,065	160,086
Total tax in the statement of comprehensive income	-	1,681,556

9. Inventories

	2023 £	2022 £
Completed properties held for sale	6,382,579	32,394,155

The value of inventories recognised as cost of sales during the year amounted to £25,744,718 (2022: £60,028,658). Following full repayment of the bank loan on 31 March 2022, inventories are no longer pledged as security against borrowings.

10. Trade and other receivables

	2023 £	2022 £
Trade receivables	-	371
Amounts due from group companies	10,704,630	972,332
Other receivables	10,725	713,718
VAT receivables	23,719	63,641
	10,739,074	1,750,062

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

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

Notes to the financial statements (continued)

11. Trade and other payables

	2023 £	2022 £
Trade payables	129,862	315,168
Accruals	18,547	14,252
Amounts due to group companies	-	453,153
Other payables	1,083	173,872
	<u>149,492</u>	<u>956,445</u>

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

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

12. Provisions

	£
Balance at 1 April 2022	3,758,420
Provision made during the year	265,263
Provisions utilised during the year	(2,860,740)
Reversal of unused provisions	(70,664)
Balance at 31 March 2023	<u>1,092,279</u>

Provisions at 31 March 2023 and 31 March 2022 relate to an estimate of the post-completion development obligations for which there is a present obligation but for which the amount and/or timing is uncertain. The majority of these obligations are expected to be settled within 12 months and the provision has therefore not been discounted.

13. Interest-bearing loans and borrowings

	2023 £	2022 £
Loan from shareholder	31,338,008	42,528,246
	<u>31,338,008</u>	<u>42,528,246</u>

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 (2022: 0.67% per annum). The loan is unsecured.

Notes to the financial statements *(continued)*

14. Share capital

	2023	2022
	£	£
<i>Allotted, called up and fully paid</i>		
1,919,138 Ordinary shares of £1 each	<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.

15. Related party transactions

The directors and entities controlled by the directors and key management personnel charged the Company £nil (2022: £107,550) 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 2023 (2022: £nil).

16. Subsequent events

In connection with the preparation of the accompanying financial statements as at 31 March 2023, management has evaluated the impact of all subsequent events on the Company through to 28 November 2023, 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.

17. 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.