

Knight Dragon 18.02 Limited

Directors' report and financial statements

**Registered number 09806359
For the year ended 31 March 2020**

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Directors' report

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

Principal activities

Knight Dragon 18.02 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.

Business review and future developments

The Company has been granted reserved matters planning permission for Plot 18.02 at Greenwich Peninsula comprising a total of 242 private and affordable units.

The results of the company for the year are set out on page 5.

The Company continues to review the development with a view to commencing and completing construction during appropriate market conditions.

Covid-19

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

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

Going concern

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

Financial risk management objectives and policies

The principal financial risks facing the company are market risk relating to interest on variable rate borrowings and liquidity risk. 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.

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.

Directors' report (continued)

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, the auditor will be deemed to be reappointed and will therefore continue in office.

Small Company Provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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

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

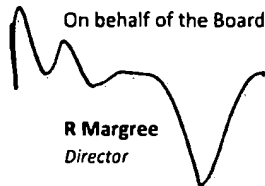
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure 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 and prudent;
- 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



R Margree
Director

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

8 September 2020

Independent auditor's report to the members of Knight Dragon 18.02 Limited

Opinion

We have audited the financial statements of Knight Dragon 18.02 Limited ("the company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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").

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

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

Directors' report

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

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

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

Independent auditor's report to the members of Knight Dragon 18.02 Limited

(continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



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

09 September 2020

Statement of comprehensive income
for the year ended 31 March 2020

	<i>Note</i>	2020 £	2019 £
Administrative expenses		(2,739)	(2,820)
Loss before tax		(2,739)	(2,820)
Taxation	5	(262)	-
Total comprehensive loss for the year		(3,001)	(2,820)

There were no gains or losses other than those recognised in the statement of comprehensive income.

Notes on pages 8 to 13 form part of the financial statements

Statement of financial position
at 31 March 2020

	Notes	2020 £	2019 £
Current assets			
Inventories	7	2,044,574	1,930,926
Deferred tax assets	6	-	262
Cash at bank and in hand		4,694	8,037
Total current assets		2,049,268	1,939,225
Total assets		2,049,268	1,939,225
Current liabilities			
Trade and other payables	8	(3,504)	(3,556)
Total current liabilities		(3,504)	(3,556)
Non-current liabilities			
Interest bearing loans and borrowings	9	(2,056,023)	(1,942,927)
Total non-current liabilities		(2,056,023)	(1,942,927)
Total liabilities		(2,059,527)	(1,946,483)
Net liabilities		(10,259)	(7,258)
Equity			
Ordinary shares	10	1	1
Retained deficit		(10,260)	(7,259)
Total equity		(10,259)	(7,258)

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



J Rann
Director
Registered number 09806359

Notes on pages 8 to 13 form part of the financial statements

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

	Share capital	Retained deficit	Total equity
	£	£	£
Balance at 1 April 2019	1	(7,259)	(7,258)
Total comprehensive loss			
Loss for the year	-	(3,001)	(3,001)
Balance at 31 March 2020	1	(10,260)	(10,259)

	Share capital	Retained deficit	Total equity
	£	£	£
Balance at 1 April 2018	1	(4,439)	(4,438)
Total comprehensive loss			
Loss for the year	-	(2,820)	(2,820)
Balance at 31 March 2019	1	(7,259)	(7,258)

Notes on pages 8 to 13 form part of the financial statements

Notes to the financial statements

1. Accounting policies

Knight Dragon 18.02 Limited ("the Company") is a private company limited by shares incorporated, domiciled and registered in England and Wales in the United Kingdom.

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with 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 Adopted 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 Financial Reporting 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;
- 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 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 is dependent for its working capital on funds provided by its immediate parent company KDIL. KDIL has indicated its intentions to provide necessary funding for the continuing operations of the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities when they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Since the start of 2020, the outbreak of Covid-19, which continues to be a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction of its ultimate impact, which could be a continued adverse effect on economic and market conditions and a period of global economic slowdown. When assessing the ability of the Company to operate as a going concern, the directors have applied additional caution to assumptions of the key inputs of the cash flow forecasts and have reviewed sensitivities around possible 'worst case' scenarios.

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 the going concern basis.

Significant judgements, estimates and assumptions

The preparation of financial statements under IFRS requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Inventory includes capitalised interest at a rate of London Interbank Offered Rate ("Libor") + 5% per annum relating to borrowings. These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowings costs.

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

Total costs allocated to each site will include those directly attributable to that site as well as costs associated with the entire Greenwich Peninsula (including estimates of future outlays), allocated on a square foot basis.

Notes to the financial statements *(continued)*

There is significant judgement involved in the valuation of work in progress, classified under inventories, in determining the assumptions used for the current sales values and build costs and future sales and cost inflation. The assessment of the valuation is very sensitive to these assumptions.

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

Financial instruments

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

Financial assets

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

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

Financial liabilities

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

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

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.

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 period, 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*)

2. Remuneration of directors

The directors did not receive any remuneration from the Company for their services during the period (2019: £nil).

3. Staff numbers and costs

The Company did not directly employ any staff including directors during the period (2019: nil).

4. Expenses and auditor's remuneration

	2020 £	2019 £
Fee payable to the Company auditor for the audit of the financial statements	<u>2,040</u>	<u>2,000</u>

There were no non-audit services from the auditor (2019: none).

5. Taxation

Total tax recognised in statement of comprehensive income:

	2020 £	2019 £
Deferred tax adjustment	<u>262</u>	-
Deferred taxation	<u>262</u>	-
Total tax in the statement of comprehensive income	<u><u>262</u></u>	<u><u>-</u></u>

Reconciliation of effective tax rate:

	2020 £	2019 £
Loss before tax	(2,739)	(2,820)
Tax using the corporation tax rate of 19% (2019: 19%)	<u>520</u>	<u>536</u>
Other tax adjustments	262	-
Tax losses utilised – group relief	(520)	(536)
Total tax in the statement of comprehensive income	<u><u>262</u></u>	<u><u>-</u></u>

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

Notes to the financial statements *(continued)*

6. Deferred tax assets

Recognised deferred tax assets are attributable to the following:

	2020 £	2019 £
Tax value of loss carry-forwards	<u>-</u>	<u>262</u>

7. Inventories

	2020 £	2019 £
Work in progress	<u>2,044,574</u>	<u>1,930,926</u>

Inventories include capitalised interest costs in the year of £113,648 (2019: £108,527) at a rate of Libor + 5% per annum relating to borrowings. These interest costs are directly attributable to the development assets which are considered qualifying assets under IAS 23 Borrowing costs.

8. Trade and other payables

	2020 £	2019 £
Accruals	<u>3,504</u>	<u>3,556</u>

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

9. Interest-bearing loans and borrowings

	2020 £	2019 £
Loan from shareholder	<u>2,056,023</u>	<u>1,942,927</u>

The shareholder loan is unsecured, has no fixed repayment date and currently attracts interest of Libor + 5% per annum. The directors of the Company believe the most likely period of repayment of the loan is one to five years (2019: one to five years). The Company has received confirmation from the shareholder that the shareholder does not intend seeking repayment of the loan nor does it have the ability to request repayment of the loan until such time that funds are available and the Company is in a position to do so.

The fair value of these liabilities approximates to the book value.

10. Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 – Knight Dragon Investments Limited	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. There are no associated rights or preferences relating to the shares.

Notes to the financial statements *(continued)*

11. Subsequent events

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

12. 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 Knight Dragon Investments Limited. 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.