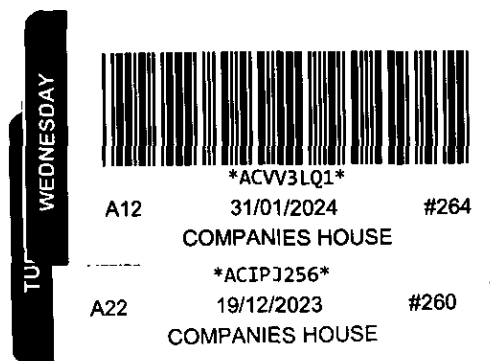


Knight Dragon 18.02 Limited

Directors' report and unaudited financial statements

Registered number 09806359
For the year ended 31 March 2023



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Directors' report

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

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 3.

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

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 risk facing the company is liquidity risk. 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.

Auditor

For the financial year ending 31 March 2023 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' report (*continued*)

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

12 December 2023

Statement of comprehensive income

for the year ended 31 March 2023

	<i>Note</i>	2023 £	2022 £
Other gains and losses, net	4	64,055	-
Administrative expenses	5	(901)	(5,296)
Operating profit/ (loss)		63,154	(5,296)
Finance costs		(13,978)	(13,885)
Profit/(loss) before tax		49,176	(19,181)
Taxation	6	-	-
Total comprehensive income/ (loss) for the year		49,176	(19,181)

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

Notes on pages 6 to 11 form part of the financial statements

Statement of financial position

at 31 March 2023

	Note	2023 £	2022 £
Current assets			
Inventories	7	-	2,044,574
Trade and other receivables		-	143
Cash at bank and in hand		<u>2,689</u>	<u>3,590</u>
Total current assets		<u>2,689</u>	<u>2,048,307</u>
Total assets		<u>2,689</u>	<u>2,048,307</u>
Current liabilities			
Trade and other payables	8	(1,610)	(10,119)
Interest-bearing loans and borrowings	9	-	(2,086,285)
Total current liabilities		<u>(1,610)</u>	<u>(2,096,404)</u>
Total liabilities		<u>(1,610)</u>	<u>(2,096,404)</u>
Net assets/ (liabilities)		<u><u>1,079</u></u>	<u><u>(48,097)</u></u>
Equity			
Share capital	10	1	1
Retained earnings/(deficit)		1,078	(48,098)
Total equity		<u><u>1,079</u></u>	<u><u>(48,097)</u></u>

For the financial year ending 31 March 2023 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirement of the Act with respect to accounting records and the preparation of accounts.

The financial statements of the Company were approved by the board of directors on 12 December 2023 and were signed on its behalf by:



J Rann

Director

Registered number 09806359

Notes on pages 6 to 11 form part of the financial statements

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

	Share capital £	Retained earnings/(deficit) £	Total equity £
Balance at 1 April 2022	1	(48,098)	(48,097)
Total comprehensive loss			
Profit for the year	-	49,176	49,176
Balance at 31 March 2023	1	1,078	1,079

	Share capital £	Retained deficit £	Total equity £
Balance at 1 April 2021	1	(28,917)	(28,916)
Total comprehensive loss			
Loss for the year	-	(19,181)	(19,181)
Balance at 31 March 2022	1	(48,098)	(48,097)

Notes on pages 6 to 11 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 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.

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;
- 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 has net current assets and net assets of £1,079 at 31 March 2023 (2022: net current liabilities and net liabilities of £48,097). The Company also made a profit of £49,176 during the year (2022: loss of £19,181). 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 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 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.

When appropriate, inventory includes capitalised interest 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 development is assessed in each financial period and a provision for diminution in value is raised by the directors where cost (including costs to complete) exceeds net realisable value. In

Notes to the financial statements (continued)

determining the recoverable amount, the directors have regard to independent market conditions affecting the development 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 development (including estimates of future outlays), allocated on a square foot basis.

There is significant judgement involved in the valuation of work in progress, classified under inventories, in determining the assumptions used for 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.

Notes to the financial statements (continued)

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.

2. Remuneration of directors

The directors did not receive any remuneration from the Company for their services during the period (2022: *Nil*).

3. Staff numbers and costs

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

4. Other gains and other losses

	2023 £	2022 £
Credit from intercompany loan write-off (note 9)	2,108,629	~
Inventory impairment charge (note 7)	(2,044,574)	~
Total other gains and losses, net	<u>64,055</u>	<u>~</u>

5. Expenses and auditor's remuneration

	2023 £	2022 £
Fee payable to the Company auditor for the audit of the financial statements	-	4,600

For the financial year ending 31 March 2023, the company was entitled to exemption from audit, hence there was no audit fee payable. For the financial year ending 31 March 2022, there were no non-audit services from the auditor.

6. Taxation

Reconciliation of effective tax rate:

	2023 £	2022 £
Profit/(loss) before tax	49,176	(19,181)
Tax using the UK corporation tax rate of 19% (2022: 19%)	(9,343)	3,644
Tax losses utilised – Group relief	(391,297)	(3,644)
Disallowable expenditure	400,640	-
Total tax in the statement of comprehensive income	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

7. Inventories

	2023	2022
	£	£
Work in progress	<u>-</u>	<u>2,044,574</u>

During the year, the Company aborted further development of plot 18.02 and as a result recognised an impairment of inventories to the recoverable amount of £nil, resulting in an impairment charge of £2,044,473 which has been recognised within other gains and losses (note 4).

8. Trade and other payables

	2023	2022
	£	£
Trade payables	-	858
Amounts due to group companies	-	3,909
Accruals	1,610	5,352
	<u>1,610</u>	<u>10,119</u>

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

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

9. Interest-bearing loans and borrowings

	2023	2022
	£	£
Current liabilities		
Loan from shareholder	<u>-</u>	<u>2,086,285</u>

During the year, the Company's immediate parent company, KDIL, assigned the amounts owed to it to Knight Dragon Developments Limited, a fellow subsidiary of the Company. Knight Dragon Developments Limited subsequently released the Company from the amounts owed via a deed of release, resulting in a gain of £2,108,629 recognised within other gains and losses.

10. Share capital

	2023	2022
	£	£
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	<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 2023, management has evaluated the impact of all subsequent events on the Company through to 12 December 2023, 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.