Knight Dragon Strategic Investments Limited

Directors' report and financial statements

Registered number 10407981

For the year ended 31 March 2020

Contents

Directors' report

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

Principal activities

Knight Dragon Strategic Investments 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 the investment in property interests on Greenwich Peninsula.

Business review & future developments

During the year, the Company purchased an additional 13 residential apartments for a total consideration of £12.86m, using a combination of shareholder and 3rd party loans. These apartments have been let on 3-year tenancy agreements to an unrelated entity.

The activity of the Company for the next 12 months is expected to be largely unchanged as the Company continues to hold the properties for long-term investment.

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.

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.

Financial risk management objectives and policies

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

Credit risk represents the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss to the Company. The Company's exposure to credit risk has increased significantly during the year, as a significant proportion of the Company's revenue is now concentrated in one counterparty. This risk is primarily managed by conducting a review of the counterparty's financial covenant strength prior to entering into a new, or extending an existing, tenancy agreement. In addition, the nature of the lease agreement gives the Company certain protections and remedies in case of non-payment of rent, which is generally payable monthly in advance.

Directors' report *(continued)*

Directors and directors' interests

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

J Rann
R Margree

Neither of the directors who held office at the end of the financial year had any disclosable interest in group undertakings as recorded in the register of directors' interests. No other directors served during the year.

Directors' indemnities

The Company's immediate parent maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors or employees of the Company or of any associated company.

Disclosure of information to auditor

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

Auditor

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

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.

Directors' report *(continued)*

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 Strategic Investments Limited

Opinion

We have audited the financial statements of Knight Dragon Strategic Investments Ltd ("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.

Emphasis of matter – uncertain valuation of investment property

We draw attention to note 10 to the financial statements which states that the fair value of the investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

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 Strategic Investments 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

	Note	2020 £	2019 £
Revenue	*2*	**352,553**	227,793
Cost of sales		**(179,565)**	(13,424)
Gross profit		**172,988**	214,369
Other gains and losses	5	**(912,317)**	-
Administrative expenses		**(163,151)**	(63,080)
Operating (loss)/profit before tax		**(902,480)**	151,289
Finance costs	7	**(347,514)**	(205,834)
Loss before tax		**(1,249,994)**	(54,545)
Taxation	*8*	**163,602**	19,265
Total comprehensive loss for the year		**(1,086,392)**	(35,280)

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

Notes on pages 9 to 18 form part of the financial statements

Statement of Financial Position
at 31 March 2020

	Note	**2020**	2019
		£	£
Non-current assets			
Investment properties	*10*	**20,935,000**	8,987,315
Property, plant and equipment	*11*	**269,688**	74,716
Deferred tax assets	*9*	**173,340**	9,738
Total non-current assets		**21,378,028**	9,071,769
Current assets			
Trade and other receivables	*12*	**13,441**	27,396
Cash at bank and in hand		**85,447**	96,624
Total current assets		**98,888**	124,020
Total assets		**21,476,916**	9,195,789
Current liabilities			
Trade and other payables	*13*	**(60,584)**	(47,554)
Interest-bearing loans and borrowings	*14*	**-**	(5,098,000)
Total current liabilities		**(60,584)**	(5,145,554)
Non-current liabilities			
Interest-bearing loans and borrowings	*14*	**(18,746,573)**	(294,084)
Total non-current liabilities		**(18,746,573)**	(294,084)
Total liabilities		**(18,807,157)**	(5,439,638)
Net assets		**2,669,759**	3,756,151
Equity			
Ordinary shares	*15*	**3,997,707**	3,997,707
Retained deficit		**(1,327,948)**	(241,556)
Total equity		**2,669,759**	3,756,151

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 10407981

Notes on pages 9 to 18 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	3,997,707	(241,556)	3,756,151
Total comprehensive loss			
Loss for the year	-	(1,086,392)	(1,086,392)
Balance at 31 March 2020	**3,997,707**	**(1,327,948)**	**2,669,759**

	Share capital	Retained deficit	Total equity
	£	£	£
Balance at 1 April 2018	3,997,707	(206,276)	3,791,431
Total comprehensive loss			
Loss for the year	-	(35,280)	(35,280)
Balance at 31 March 2019	**3,997,707**	**(241,556)**	**3,756,151**

Notes on pages 9 to 18 form part of the financial statements

Notes to the financial statements

1. Accounting policies

Knight Dragon Strategic Investments 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 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.

This is the first set of the Company's annual financial statements in which *IFRS 16 Leases* has been applied. Changes to significant accounting policies are described on page 10.

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;
- The effects of new but not yet effective IFRSs; and
- Comparative period reconciliations for property, plant & equipment.

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*.

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 intention to provide necessary funding for the continuing operations of the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities when they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

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 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.

The valuation of investment properties constitutes the main area of judgement exercised by the Board in respect of the results. They are stated at fair value. In assessing this the Board has relied on valuations undertaken by a professional firm between November 2019 and January 2020, together with a review of the market valuations for units of this size and location on Greenwich Peninsula, in particular the movement in sales values on other developments at the northern end of the Peninsula.

Changes in significant accounting policies

The Company has applied IFRS 16 Leases for the financial reporting period commencing 1 April 2019. As a result, the Company has changed its policy for lease contracts as detailed below.

Definition of a lease
Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 1 Leases. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

Impact on the financial statements
There was no impact on the financial statements as a result of applying IFRS 16 Leases.

Notes to the financial statements *(continued)*

Revenue

Rental income arising from operating leases is recognised on a straight-line basis over the lease term. All revenue is generated in the United Kingdom.

Cost of sales

Costs of sales are costs relating to services rendered during the reporting period and are expensed as incurred.

Investment properties

Investment properties include those units that are held for long-term rental yields and capital appreciation. Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually based on current market values for similar sized properties on Greenwich Peninsula.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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

Depreciation is charged to the statement of comprehensive income on a straight line basis over three years for Fit Out Assets and over five years for Furniture and Fittings.

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.

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. This policy is applied to contracts entered into, on or after 1 April 2019.

Notes to the financial statements *(continued)*

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.

The accounting policies applicable to the Company as a lessor in the period before 1 April 2019 were not different from those applied under IFRS 16.

Taxation

Tax on the result for the period 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.

2. Revenue

All revenue recognised during the year and prior year related to income receivable under operating leases of residential property. All revenue was generated in the UK.

3. Remuneration of directors

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

4. Staff numbers and costs

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

Notes to the financial statements *(continued)*

5. Operating loss

Operating loss for the year is stated after charging:

	2020	2019
	£	£
Fair value losses on investment properties	**912,317**	-
Depreciation of property, plant & equipment	**61,929**	43,356
Direct operating expenses of investment property which generated rental income	**179,565**	13,424

6. Expenses and auditor's remuneration

	2020	2019
	£	£
Fee payable to the Company auditor for the audit of the financial statements	**2,810**	2,000

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

7. Finance costs

	2020	2019
	£	£
Interest payable on shareholder loans	**178,013**	16,270
Interest payable on third party loans	**169,501**	189,564
	347,514	205,834

8. Taxation

Recognised in the statement of comprehensive income:

	2020	2019
	£	£
Adjustment in respect of prior financial years	-	19,265
Deferred tax adjustment	**163,602**	-
Total deferred taxation	**163,602**	19,265
Total taxation	**163,602**	19,265

Notes to the financial statements *(continued)*

Reconciliation of effective tax rate:

	2020 £	2019 £
Loss before tax	(1,249,994)	(54,545)
Tax using the corporation tax rate of 19% (2018: 19%)	237,499	10,364
Adjustment in respect of prior financial years	-	19,265
Other tax adjustments	(9,015)	(4,593)
Non-tax deductible finance costs	(66,028)	-
Tax losses utilised – group relief	-	(5,771)
Change in tax rate	1,146	-
Total tax in the statement of comprehensive income	163,602	19,265

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.

9. Deferred tax assets

Recognised deferred tax assets

Deferred tax liabilities are attributable to the following:

	2020 £	2019 £
Fair value of investment properties	173,340	-
Tax value of losses carried forward	-	9,738
Recognised deferred tax assets	173,340	9,738

Movement in deferred tax during the year:

	1 April 2019 £	Recognised in statement of comprehensive income £	31 March 2020 £
Fair value of investment properties	-	173,340	173,340
Tax value of losses carried forward	9,738	(9,738)	-
	9,738	163,602	173,340

	1 April 2018 £	Recognised in statement of comprehensive income £	31 March 2019 £
Accelerated capital allowances	(9,527)	9,527	-
Tax value of losses carried forward	-	9,738	9,738
	(9,527)	19,265	9,738

Notes to the financial statements *(continued)*

10. Investment properties

Investment properties relate to 19 residential apartments on Greenwich Peninsula which are held primarily for long term capital appreciation.

	2020	2019
	£	£
Cost		
At 1 April	**8,987,315**	8,987,315
Additions	**12,860,002**	-
At 31 March	**21,847,317**	8,987,315
Fair value adjustments		
At 1 April	**-**	-
Fair value changes	**(912,317)**	-
At 31 March	**(912,317)**	-
Carrying value		
At 1 April	**8,987,315**	8,987,315
Movement in the year	**11,947,685**	-
At 31 March	**20,935,000**	8,987,315

During the year, the Company purchased 13 residential apartments from a fellow subsidiary of the immediate parent company.

All of the Company's investment properties were valued during November and December 2019 by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of investment property being valued. These valuations were used to inform the directors' own valuations at 31 March 2020 based on sales values of comparable properties over the period from November 2019 to March 2020, which showed that there was no material change in the value of comparable property sales over this period.

However, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has impacted many aspects of daily life and the global economy, with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the date of the directors' valuation, in the case of the subject properties, there is a shortage of market evidence for comparison purposes, to inform opinions of value. The directors' valuation of this property is therefore subject to 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The directors are satisfied that the valuations are a reasonable representation of property values in the circumstances known and evidence available at the reporting date. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The carrying value of all investment properties are pledged as security against third party borrowings described in note 14.

Notes to the financial statements *(continued)*

11. Property, plant and equipment

	Furniture and Fittings £	Fit Out Costs £	Total £
Cost			
At 1 April	92,097	74,808	**166,905**
Additions	104,414	152,487	**256,901**
At 31 March	**196,511**	**227,295**	**423,806**
Accumulated Depreciation			
At 1 April	(37,183)	(55,006)	**(92,189)**
Charge for the year	(33,233)	(28,696)	**(61,929)**
At 31 March	**(70,416)**	**(83,702)**	**(154,118)**
Net Book Value			
At 1 April	54,914	19,802	**74,716**
Movement in the year	71,181	123,791	**194,972**
At 31 March	**126,095**	**143,593**	**269,688**

12. Trade and other receivables

	2020 £	2019 £
Other receivables	**6,141**	27,396
Accrued income	**7,300**	-
	13,441	27,396

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

13. Trade and other payables

	2020 £	2019 £
Accruals	**31,624**	31,554
Deferred income	**28,960**	16,000
	60,584	47,554

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

Notes to the financial statements *(continued)*

14. Interest-bearing loans and borrowings

	2020	2019
	£	£
Current liabilities		
Third party loans	-	5,098,000
	-	5,098,000
Non-current liabilities		
Loan from shareholder	**6,290,573**	294,084
Third party loans	**12,456,000**	-
	18,746,573	294,084
	18,746,573	5,392,084

The directors of the Company believe the most likely period of repayment of the shareholder loan is one to five years (2019: one to five years). The shareholder loan is unsecured and currently attracts interest of Libor + 5% per annum. The Company has received confirmation from the shareholder that it does not intend on seeking repayment of the loan nor does it have the ability to request payment until such time that funds are available and the Company is in a position to do so.

During the year, the existing third party loans were extended for a further two years, to November 2021. New loan facilities were executed in February 2020 to fund, together with additional shareholder borrowings, the acquisition of the new investment properties described in note 10. The loans are due for repayment in February 2023, subject to a 2-year extension to be granted at the bank's discretion. The third party loans carry a variable interest rate of LIBOR + 2.25%.

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

15. Share capital

	2020	2019
Allotted, called up and fully paid	**£**	£
3,997,707 Ordinary shares of £1 each - Knight Dragon Investments Limited	**3,997,707**	3,997,707

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.

16. Leases

The Company is the lessor on the properties classified as investment properties (note 10). The leases are assured shorthold tenancy agreements or common law tenancy agreements and vary in length between one and three years.

All leases have been classified as operating leases as the Company retains substantially all of the risks and rewards of ownership of the underlying asset at the end of the lease term.

During the year, £352,553 (2019: £227,793) was recognised as rental income by the Company.

Notes to the financial statements *(continued)*

The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

	2020	2019
	£	£
Less than one year	**670,900**	215,575
Between one and two years	**484,200**	-
Between two and three years	**316,950**	-
Between three and four years	-	-
Between four and five years	-	-
More than five years	-	-
	1,472,050	215,575

17. 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.

18. Parent undertaking of larger group of which the Company is a member

The Company's immediate parent company is KDIL, 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.