Knight Dragon Strategic Investments Limited

Directors' report and financial statements

Registered number 10407981

For the year ended 31 March 2023

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Contents

Directors' report

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

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

The Company holds residential Investment Properties. At 31 March 2023 it has a total number of 91, the same number as at 31 March 2022. These are part-funded by a loan facility with the Bank of East Asia with the balance primarily financed by additional shareholder loans.

Over the course of the next 12 months, the Company will continue to carry out its principal business activity of letting residential property and will review opportunities to acquire or dispose of properties as and when those opportunities arise.

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, 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. 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 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' report *(continued)*

Directors' indemnities

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

Disclosure of information to auditor

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

Auditor

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

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

28 November 2023

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

Opinion on the financial statements

In our opinion the financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Non-compliance with laws and regulations

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

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

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

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

Fraud

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

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

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

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

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

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

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

Statement of comprehensive income
for the year ended 31 March 2023

	Note	**2023** £	2022 £
Revenue	*2*	**3,300,036**	1,225,387
Cost of sales		**(1,225,772)**	(407,367)
Gross profit		**2,074,264**	818,020
Other gains	*3*	-	240,517
Fair value losses on investment properties	*6, 11*	**(727,500)**	(1,498,500)
Administrative expenses	*7*	**(373,450)**	(202,434)
Operating profit/(loss) before tax		**973,314**	(642,397)
Finance costs	*8*	**(2,646,685)**	(647,887)
Fair value gain on derivatives	*2*	**1,022,282**	-
Loss before tax		**(651,089)**	(1,290,284)
Taxation	*9*	**156,653**	438,064
Total comprehensive loss for the year		**(494,436)**	(852,220)

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

Notes on pages 12 to 20 form part of the financial statements

Statement of Financial Position
at 31 March 2023

	Note	2023	2022
		£	£
Non-current assets			
Investment properties	*11*	**86,805,000**	87,532,500
Property, plant and equipment	*12*	**1,017,220**	1,249,536
Derivative financial instruments	*13*	**1,262,799**	240,517
Deferred tax assets	*10*	**820,829**	638,954
Total non-current assets		**89,905,848**	89,661,507
Current assets			
Trade and other receivables	*14*	**195,078**	62,442
Restricted cash at bank	*15*	**2,918,702**	1,512,128
Cash at bank and in hand		**166,246**	155,593
Total current assets		**3,280,026**	1,730,163
Total assets		**93,185,874**	91,391,670
Current liabilities			
Trade and other payables	*16*	**(800,284)**	(321,076)
Interest-bearing loans and borrowings	*17*	**(46,369,994)**	(44,664,994)
Total current liabilities		**(47,170,278)**	(44,986,070)
Non-current liabilities			
Interest-bearing loans and borrowings	*17*	**(44,822,433)**	(44,718,001)
Total non-current liabilities		**(44,822,433)**	(44,718,001)
Total liabilities		**(91,992,711)**	(89,704,071)
Net assets		**1,193,163**	1,687,599
Equity			
Share capital	*18*	**3,997,707**	3,997,707
Retained deficit		**(2,804,544)**	(2,310,108)
Total equity		**1,193,163**	1,687,599

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

J Rann
Director
Registered number 10407981

Notes on pages 12 to 20 form part of the financial statements

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

	Share capital	Retained deficit	Total equity
	£	£	£
Balance at 1 April 2022	3,997,707	(2,310,108)	1,687,599
Total comprehensive loss			
Loss for the year	-	(494,436)	(494,436)
Balance at 31 March 2023	**3,997,707**	**(2,804,544)**	**1,193,163**

	Share capital	Retained deficit	Total equity
	£	£	£
Balance at 1 April 2021	3,997,707	(1,457,888)	2,539,819
Total comprehensive loss			
Loss for the year	-	(852,220)	(852,220)
Balance at 31 March 2022	**3,997,707**	**(2,310,108)**	**1,687,599**

Statement of cash flows
for the year ended 31 March 2023

	2023	2022
	£	£
Cash flows from operating activities		
Loss for the year	(494,436)	(852,220)
Adjustments for:		
Taxation	(156,653)	(438,064)
Finance costs	2,646,685	647,887
Changes in fair value of derivative financial instruments	(1,022,282)	(240,517)
Changes in fair value of investment properties	727,500	1,498,500
Increase in trade and other receivables	(132,636)	(10,440)
Increase in trade and other payables	119,208	146,537
Depreciation of property, plant and equipment	325,136	173,178
Net tax paid	(25,222)	-
Net cash generated from operating activities	1,987,300	924,860
Net cash flow from investing activities		
Purchase of property, plant and equipment	(92,820)	(1,222,141)
Purchase of investment properties	-	(68,241,000)
Bank interest received	19,718	89
Net cash used in investing activities	(73,102)	(69,463,052)
Cash flows from financing activities		
Proceeds from third-party loans	-	40,246,500
Proceeds from shareholder loans	1,453,000	48,590,240
Repayments of shareholder loans	-	(18,080,000)
Interest paid	(1,937,917)	(403,042)
Other finance costs paid	(12,054)	(292,398)
Placements of pledged and restricted bank deposits	(1,406,574)	(1,512,128)
Net cash (used in)/ generated from financing activities	(1,903,545)	68,549,172
Net increase in cash and cash equivalents	10,653	10,980
Cash and cash equivalents at 1 April	155,593	144,613
Cash and cash equivalents at 31 March	166,246	155,593

Notes on pages 12 to 20 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 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:

- 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 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*.

Going concern

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

The Company has net current liabilities of £43,890,252 at 31 March 2023 (2022: £43,255,907) including a shareholder loan of £38,653,994 which is repayable on demand and bank loans of £7,716,000 which are repayable within 12 months. The Company also made a loss of £494,436 during the year (2022: £852,220). 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 the £7,716,000 loan facility of this company, per note 20, plus that of third parties' loans held by other group companies totalling £82,000,000 during the time

Notes to the financial statements *(continued)*

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 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 directors in respect of the results. They are stated at fair value. In assessing this the directors, together with senior members of staff, have valued the property using the direct comparison method primarily utilising recent sales data from other group companies which have sold properties in a similar location and condition.

Revenue

Rental income arising from operating leases is recognised on a straight-line basis over the lease term.

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.

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.

Notes to the financial statements *(continued)*

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.

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.

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.

Notes to the financial statements *(continued)*

2. Revenue

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

3. Other gains

	2023	2022
	£	£
Fair value gains on interest rate swaps[1]	-	240,517

4. Remuneration of directors

The directors did not receive any remuneration from the Company for their services during the year (2022: £nil).

5. Staff numbers and costs

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

6. Operating profit/(loss)

Operating profit / (loss) for the year is stated after charging:

	2023	2022
	£	£
Fair value losses on investment properties	727,500	1,498,500
Depreciation of property, plant & equipment	325,136	173,178
Direct operating expenses of investment property which generated rental income	1,225,772	407,367

7. Expenses and auditor's remuneration

	2023	2022
	£	£
Fee payable to the Company auditor for the audit of the financial statements	15,000	8,050

There were no non-audit services from the auditor (2022: none).

8. Finance costs

	2023	2022
	£	£
Interest payable on shareholder loans	252,000	106,034
Interest payable on third party loans	2,296,346	518,042
Amortisation of deferred finance costs	116,486	23,899
Interest income	(18,147)	(88)
	2,646,685	647,887

[1] In the current year the fair value gain on the revaluation of derivatives is reported as a single line item, 'Fair value gain on derivative', within the statement of comprehensive income. The gain in the current year is £1,022,282.

Notes to the financial statements *(continued)*

9. Taxation

Recognised in the statement of comprehensive income:

	2023 £	2022 £
Adjustments in respect of prior year estimates	**(25,222)**	-
Deferred tax charge	**181,875**	438,064
Total taxation	**156,653**	438,064

Reconciliation of effective tax rate:

	2023 £	2022 £
Loss before tax	**(651,089)**	(1,290,284)
Tax using the UK corporation tax rate of 19% (2022: 19%)	**123,707**	245,154
Adjustments in respect of prior year estimates	**(25,222)**	-
Expenses not deductible for tax	**(308,637)**	-
Other tax adjustments	**(61,775)**	(32,904)
Change in tax rate[1]	**43,650**	153,349
Tax losses utilised - Group relief	**384,930**	72,465
Total tax in the statement of comprehensive income	**156,653**	438,064

[1]An increase to the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 10 June 2021. This change will affect the Company's corporation tax liability in future years accordingly.

10. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2023 £	2022 £
Fair value of investment properties	**820,829**	638,954
Recognised deferred tax assets	**820,829**	638,954

Movement in deferred tax during the year:

	1 April 2022 £	Recognised in statement of comprehensive income £	31 March 2023 £
Fair value of investment properties	638,954	181,875	**820,829**
	638,954	**181,875**	**820,829**

Notes to the financial statements *(continued)*

	1 April 2021 £	Recognised in statement of comprehensive income £	31 March 2022 £
Fair value of investment properties	200,890	438,064	**638,954**
	200,890	438,064	**638,954**

A deferred tax asset has been recognised on the difference between the tax base and the accounting value of investment properties. The deferred tax asset has been recognised as the Company expects to realise this in future periods when the properties are sold which, at the current fair value, would result in a taxable loss which can be offset against taxable trading profits in the year of disposal or in subsequent years.

11. Investment properties

Investment properties relate to 91 (2022: 91) residential apartments on Greenwich Peninsula which are held primarily for long term capital appreciation.

	2023 £	2022 £
Cost		
At 1 April	**90,088,317**	21,847,317
Additions	-	68,241,000
At 31 March	**90,088,317**	90,088,317
Fair value adjustments		
At 1 April	**(2,555,817)**	(1,057,317)
Fair value changes	**(727,500)**	(1,498,500)
At 31 March	**(3,283,317)**	(2,555,817)
Carrying value		
At 1 April	**87,532,500**	20,790,000
Movement in the year	**(727,500)**	66,742,500
At 31 March	**86,805,000**	87,532,500

At 31 March 2023, the Company's investment properties have been valued by an independent valuer who holds a professional qualification and has recent experience of valuing similar residential properties in London using the direct comparison method. The direct comparison method is based on comparable evidence of properties which have been sold nearby, adjusted for differences between the properties such as physical condition.

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The directors are satisfied that the valuation is 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 17.

Notes to the financial statements *(continued)*

12. Property, plant and equipment

	Furniture and Fittings £	Fit Out Costs £	Total £
Cost			
At 1 April	1,418,652	227,295	**1,645,947**
Additions	92,820	-	**92,820**
At 31 March	**1,511,472**	**227,295**	**1,738,767**
Accumulated depreciation			
At 1 April	(209,640)	(186,771)	**(396,411)**
Charge for the year	(284,612)	(40,524)	**(325,136)**
At 31 March	**(494,252)**	**(227,295)**	**(721,547)**
Net book value			
At 1 April	1,209,012	40,524	**1,249,536**
Movement in the year	(191,792)	(40,524)	**(232,316)**
At 31 March	**1,017,220**	-	**1,017,220**

13. Derivative financial instruments

	2023 £	2022 £
Floating to fixed interest rate swaps	**1,262,799**	240,517

The total notional principal amounts of the outstanding derivative financial instruments at 31 March 2023 was £27,148,650 (2022: £16,293,900).

14. Trade and other receivables

	2023 £	2022 £
Other receivables	**159,108**	62,442
Prepayments	**35,970**	-
	195,078	62,442

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

15. Restricted cash at bank

	2023 £	2022 £
Pledged bank deposits	**2,918,702**	1,512,128

Restricted bank balances at 31 March 2023 are held as security against the third-party loans (see note 17). They are not included within cash and cash equivalents because they cannot be used at the Company's discretion.

Notes to the financial statements *(continued)*

16. Trade and other payables

	2023	2022
	£	£
Trade payables	-	19,542
Amounts due to group companies	**15,223**	7,173
Accruals	**539,688**	169,361
Deferred income	**245,373**	125,000
	800,284	321,076

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.

17. Interest-bearing loans and borrowings

	2023	2022
	£	£
Current liabilities		
Third party loans	**7,716,000**	7,716,000
Loan from shareholder	**38,653,994**	36,948,994
	46,369,994	44,664,994
Non-current liabilities		
Third party loans	**44,986,500**	44,986,500
Deferred finance cost on third party loans	**(164,067)**	(268,499)
	44,822,433	44,718,001
	91,192,427	89,382,995

Third party loans classified as current liabilities are due for repayment on 3 May 2023. £180,000 was repaid after the year end, and the remaining balance extended to April 2023. The third party loans classified as non-current liabilities are due for repayment on 31 March 2025, subject to a 3-year extension to be granted at the bank's discretion. The loans carry variable interest rates of 3-month Sonia + 2.4% and are secured by a fixed charge on the Company's investment properties and a floating charge on all other assets of the Company.

The directors of the Company consider the shareholder loan to be repayable in less than 12 months because it is repayable on demand and the Company does not have an unconditional right to defer settlement beyond 12 months. The Company has received confirmation from the shareholder that it is not currently their intention to recall the loan until such time that the Company is in a financial position to be able to repay the loan. The directors of the Company believe the most likely period of repayment of the shareholder loan is more than five years. Interest is currently charged at 0.67% per annum (2022: 0.67% per annum) and the loan is unsecured.

18. Share capital

	2023	2022
Allotted, called up and fully paid	£	£
3,997,707 Ordinary shares of £1 each	**3,997,707**	3,997,707

Notes to the financial statements *(continued)*

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.

19. Leases

The Company is the lessor of the properties classified as investment properties (note 11). 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, £3,300,036 (2022: £1,225,387) was recognised as rental income by the Company.

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:

	2023	2022
	£	£
Less than one year	**1,816,000**	939,000
Between one and two years	**23,000**	-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
More than five years	-	-
	1,839,000	939,000

20. Subsequent events

In connection with the preparation of the accompanying financial statements as at 31 March 2023, management has evaluated the impact of all subsequent events on the Company through to 28 November 2023, the date the financial statements were available to be issued, and has determined that the only notable event was the refinancing of £7,716,000 in April 2023. This financing matures in April 2028 as described in note 17.

21. 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.