

Knight Dragon Meridian Limited
(formerly Quintain Meridian Limited)

Directors' report and financial
statements

Registered number 590768

31 March 2014



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2014.

With effect from 22 November 2013, the name of the Company was changed from Quintain Meridian Limited to Knight Dragon Meridian Limited.

Basis of preparation

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

Principal activities and business review

Knight Dragon Meridian Limited (the "Company") is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 31 Hill Street, London W1J 5LS.

Its principal activity is the ownership of 18.22 acres of freehold property at the Greenwich Peninsula. The Company's principal role is to, at its own cost, commission, implement and complete all Remediation Works necessary to prevent or remove any hazardous substances present in, on, over or under any parts of the freehold property.

These financial statements were authorised for issue by the Board of Directors on 3 October 2014.

Proposed dividend

The directors do not recommend the payment of a dividend (2013: £nil).

Directors

The directors who held office during the year and up to the date of signing of these financial statements were as follows:

K Heininger

S Lee

M James (resigned 22 November 2013)

R Stearn (resigned 22 November 2013)

R Margree (appointed 22 November 2013)

J Rann (appointed 22 November 2013)

None of the directors who held office at the end of the financial period had any disclosable interest in group undertakings as recorded in the register of directors' interests.

No other directors served during the period.

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.

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 he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

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 IFRSs as adopted by the EU and applicable laws.

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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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.

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

We have audited the financial statements of Knight Dragon Meridian Limited for the year ended 31 March 2014 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.



Shaun Kirby (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
3 October 2014

Statement of Comprehensive Income

For the year ended 31 March 2014

	Note	2014 £	2013 £
Revenue		82,144	72,186
Cost of sales		(113,682)	(100,453)
Gross loss		(31,538)	(28,267)
Administrative expenses	2	(4,132)	(5,685)
Operating loss		(35,670)	(33,952)
Finance expense		(2,950,670)	(2,688,323)
Total comprehensive loss for the year before tax		(2,986,340)	(2,722,275)
Tax Credit	5	597,445	12,919,990
(Loss)/profit for the year		(2,388,895)	10,197,715
Attributable to:			
Equity holders of the parent		(2,388,895)	10,197,715
Total comprehensive loss for the year		(2,388,895)	10,197,715

The amounts reported in the income statement relate to continuing operations.

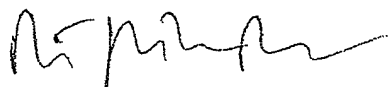
There were no gains or losses other than those recognised in the income statement, therefore no statement of other comprehensive income has been presented.

Notes on pages 9 to 15 form part of the financial statements

Statement of Financial Position
As at 31 March 2014

	<i>Note</i>	2014 £	2013 £
Non-current assets			
Deferred tax assets	6	597,725	280
		<u>597,725</u>	<u>280</u>
Current assets			
Inventories	7	75,363,140	75,436,560
Trade and other receivables	8	3,216	532,522
		<u>75,366,356</u>	<u>75,969,082</u>
Total assets		<u>75,964,081</u>	<u>75,969,362</u>
Current liabilities			
Trade and other payables	9	(1,500)	(28,764)
Provisions	9	-	(231,352)
		<u>(1,500)</u>	<u>(260,116)</u>
Non-current liabilities			
Other loans and borrowings	10	(57,195,999)	(54,553,769)
		<u>(57,195,999)</u>	<u>(54,553,769)</u>
Total liabilities		<u>(57,197,499)</u>	<u>(54,813,885)</u>
Net Assets		<u>18,766,582</u>	<u>21,155,477</u>
Equity			
Share capital	11	3	3
Share premium		1,337,000	1,337,000
Retained earnings		17,429,579	19,818,474
Total equity		<u>18,766,582</u>	<u>21,155,477</u>

These financial statements were approved by the board of directors on 3 October 2014 and were signed on its behalf by:



J Rann

Director

Registered no. 590768

Notes on pages 9 to 15 form part of the financial statements

Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital £	Share Premium £	Retained earnings £	Total equity £
Balance at 1 April 2012	3	-	9,620,759	9,620,762
Total comprehensive income for the year				
Profit for the year	-	-	10,197,715	10,197,715
Share capital issued	-	1,337,000	-	1,337,000
Share premium	-	1,337,000	-	1,337,000
Balance at 31 March 2013	3	1,337,000	19,818,474	21,155,477
Balance at 1 April 2013	3	1,337,000	19,818,474	21,155,477
Total comprehensive income for the year				
Loss for the year	-	-	(2,388,895)	(2,388,895)
Balance at 31 March 2014	3	1,337,000	17,429,579	18,766,582

Notes on pages 9 to 15 form part of the financial statements

Cash Flow Statement
for the year ended 31 March 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit/(Loss) for the year	(2,388,895)	10,197,715
Adjustments for:		
Taxation	(597,445)	(12,919,990)
Finance expense	2,950,670	2,688,323
	<hr/> (35,670)	<hr/> (33,952)
(Increase)/decrease in trade and other receivables	529,306	(345,778)
(Decrease)/increase in trade and other payables	(27,264)	(6,773)
(Decrease)/increase in provision	(231,352)	(1,236,678)
Interest paid	(2,950,670)	(2,688,323)
	<hr/> (2,679,980)	<hr/> (4,311,504)
Cash flows from investing activities		
Additions in inventory	73,420	(566,086)
Additions in investment property	-	-
	<hr/> 73,420	<hr/> (566,086)
Cash flows from financing activities		
Share premium	-	1,337,000
Proceeds from new loans	2,642,230	3,540,590
	<hr/> 2,642,230	<hr/> 4,877,590
Net cash from financing activities		
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at 1 April	-	-
	<hr/> -	<hr/> -
Cash and cash equivalents at 31 March	<hr/> -	<hr/> -

Notes to the financial statements

1 Accounting policies

Knight Dragon Meridian Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and are prepared on the historical costs basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. 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 to it by its parent Knight Dragon Limited. The parent will continue to offer support for the Company to meet the working capital requirements for the foreseeable future. Under circumstances where one party's ownership may cease, the other party will step in to provide the necessary support for the Company to enable it to meet its obligations as they fall due and thus enable the Company to continue in operational existence. 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.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

Significant judgements, estimates and assumptions

The preparation of financial statements under IFRS requires the Board 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 revenue and expense 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 Board 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 Board has relied upon a model which has been developed to appraise the scheme. 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.

Trade and other receivables

Trade and other receivables 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 income statement when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measure at amortised cost.

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. The recoverable amount of the plot is assessed in each financial year and a provision for diminution in value is raised by the Board where cost (including costs to complete) exceeds net realisable value. In determining

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

the recoverable amount, the Board has regard to independent market conditions affecting each plot and the underlying strategy for sale.

Inventories include costs incurred by the Group (including capitalised interest) associated with land sold to third parties. It is held as work in progress until all obligations have been substantively fulfilled by the Company. At which point they will be transferred to the income statement.

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

There is significant judgement involved in the valuation of work in progress, classified under inventories. The directors have implemented the advice of relevant external professional firms 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.

Revenue

Revenue is recognised as and when services and obligations are fulfilled, when it is probable that the future economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue from the sale of land options is recognised in the income statement when the significant risks and rewards of ownership, the continual managerial involvement and control have been transferred to the buyer. Where cash has been received in advance of obligations being fulfilled by the Company, these amounts have been presented as deferred income in the statement of financial position. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Cost of sales

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

Taxation

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Expenses and auditor's remuneration

	2014 £	2013 £
Amounts paid to the Auditor for audit services	<u>1,500</u>	<u>5,000</u>

Notes to the financial statements *(continued)*

3 Remuneration of directors

The directors did not receive any remuneration from the Company for their services during the period (2013: nil).

4 Staff numbers and costs

The average number of persons employed by the Company during the year is nil (2013: nil.)

5 Taxation

Recognised in the income statement

	2014 £	2013 £
<i>Deferred tax</i>		
Current year	<u>597,445</u>	<u>12,919,990</u>

Reconciliation of effective tax rate

	2014 £	2013 £
(Loss)/profit for the year	(2,388,895)	10,197,715
Total tax credit	<u>(597,445)</u>	<u>(12,919,990)</u>
Loss for the year before tax	(2,986,340)	(2,722,275)
Tax using the UK corporation tax rate of 23% (2013: 24%)	(687,010)	(653,346)
Movement on investment properties	-	(12,919,990)
Capital allowances	60	(64)
Unrecognised tax losses	-	470,432
Tax losses utilised	-	(8,058,318)
Capital Gain on appropriation to trading stock	-	8,241,296
Change in tax rate	89,505	-
Total tax in income statement	<u>(597,445)</u>	<u>(12,919,990)</u>

6 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2014 £	2013 £
Property plant and equipment	220	280
Tax value of loss carry-forwards	<u>597,505</u>	<u>-</u>
Total deferred tax asset/(liability)	<u>597,725</u>	<u>280</u>

Notes to the financial statements (continued)

6 Deferred tax assets (continued)

The Corporation Tax rate of 23% became effective from 1 April 2013.

A 3% reduction in the UK Corporation Tax rate was substantively enacted during the year to take effect in 2014 and 2015. The effect of these tax rate changes enacted has been to decrease the deferred tax assets of the Company by £89,473 (2013: £nil) comprising a charge through Profit and Loss Account. The 3% reduction in the UK Corporation Tax rate will lead to a Company statutory Corporation Tax rate of 21% for 2014 and 20% for 2015.

No additional rate changes have been substantively enacted since the reporting date.

7 Inventories

	2014 £	2013 £
Work in Progress	<u>75,363,140</u>	<u>75,436,560</u>

8 Trade and other receivables

	2014 £	2013 £
Trade receivables	-	496,432
Other receivables	3,216	36,090
	<u>3,216</u>	<u>532,522</u>

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

9 Trade and other payables

	2014 £	2013 £
Trade payables	-	20,151
Other payables and accrued expenses	1,500	231,352
VAT payable	-	8,613
	<u>1,500</u>	<u>260,116</u>

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

10 Other interest-bearing loans and borrowings

	2014 £	2013 £
Loans from related parties	57,195,999	54,553,769
	<u>57,195,999</u>	<u>54,553,769</u>

Notes to the financial statements (continued)

11 Share capital

	2014	2013
	£	£
1592 Ordinary B shares for £0.001 each – Knight Dragon Investments Limited	1,592	1,592
1592 Ordinary B shares for £0.001 each – Knight Dragon Investments Limited	1,592	1,592
	<u>3,184</u>	<u>3,184</u>

12 Financing Arrangements and Financial Instruments

Credit risk

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 has exposure to credit risk from all recognised financial assets.

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment.

At the year end there were no trade receivables past their due date.

Fair values

There is no significant difference between the carrying value and the fair value of the financial instruments.

Market risk

Financial risk management: Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Effective interest and re-pricing analysis: In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they re-price:

31 March 2014	Effective interest rate %	Total	One year or less	5 + years
		£	£	£
Interest-bearing loans and borrowings	2% - 10%	57,195,999	-	57,195,999
		<u>57,195,999</u>	<u>-</u>	<u>57,195,999</u>
31 March 2013	Effective interest rate %	Total	One year or less	5 + years
		£	£	£
Interest-bearing loans and borrowings	2% - 10%	54,553,769	-	54,553,769
		<u>54,553,769</u>	<u>-</u>	<u>54,553,769</u>

Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

Notes to the financial statements (continued)

12 Financing Arrangements and Financial Instruments (continued)

The Company's objective is to maintain the efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Company and ensure sufficient availability of credit facilities.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

The following are the contractual cash flow maturities of financial liabilities as at 31 March 2014, including estimated interest payments and excluding the impact of netting agreements.

As at 31 March 2014	Carrying Amount £	Contractual Cash Flows £	Six Months or Less £	Six to Twelve Months £	One to Two Years £	Two to Five Years £	More than Five Years £
Non Derivative Financial Liabilities							
Other payables and accrued expenses current	1,500	1,500	1,500	-	-	-	-
Other interest bearing loans and borrowings non-current	57,195,999	57,261,025	-	-	-	-	57,261,025
Total	57,197,499	57,262,525	1,500	-	-	-	57,261,025

As at 31 March 2013	Carrying Amount £	Contractual Cash Flows £	Six Months or Less £	Six to Twelve Months £	One to Two Years £	Two to Five Years £	More than Five Years £
Non Derivative Financial Liabilities							
Trade payables current	20,151	20,151	20,151	-	-	-	-
Other payables and accrued expenses current	231,352	231,352	231,352	-	-	-	-
VAT Payable	8,613	8,613	8,613	-	-	-	-
Other interest bearing loans and borrowings non-current	54,553,769	54,592,348	-	-	-	-	54,592,348
Total	54,813,885	54,852,464	260,116	-	-	-	54,592,348

The directors of the Company consider the long term loan notes payable in a period greater than 5 years as they relate to loans with the parent entities, who cannot seek repayment until funds become available. Given the profile of the development, they believe this to represent the most likely period of repayment. They have indicated via the statement of support of the Company that they would support the Company for the foreseeable future, see Note 1.

Notes to the financial statements *(continued)*

13 Related parties

Amounts due to fellow Group undertakings at 31 March 2014 were £57,195,999 (2013: £54,553,769) due to the Company's parent Knight Dragon Investments Limited (formerly Greenwich Peninsula Regeneration Limited). Amounts due resulted in interest payments for the period of £2,950,670 (2013: £2,688,323.)

14 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Knight Dragon Investments Limited, which is registered in England and Wales.

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 ultimate owner is Alpha Hero Investments Limited, incorporated and registered at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands under company number 1685964.