

**Company Registration No. 03162829**

**Kajima Properties (Europe) Limited**

**Report and Financial Statements**

**31 December 2012**

# **Kajima Properties (Europe) Limited**

## **Report and financial statements 2012**

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# **Kajima Properties (Europe) Limited**

## **Report and financial statements 2012**

### **Officers and professional advisers**

#### **Directors**

K Uchida  
H Iizawa  
A Yajima  
J M Rudd-Jones  
N W M G Chism

#### **Secretary**

D M Hedge

#### **Registered office**

55 Baker Street  
London  
W1U 8EW

#### **Bankers**

Sumitomo Mitsui Banking Corporation Europe Limited

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

# **Kajima Properties (Europe) Limited**

## **Directors' report**

The directors of Kajima Properties (Europe) Limited present their annual report and the audited financial statements for the year ended 31 December 2012. This directors' report has been prepared in accordance with the special provisions applicable to the small company exemptions.

### **Business review and principal activities**

The company is a wholly-owned subsidiary of Kajima Estates Europe Limited.

The company's principal activity is property development and investment and the provision of property-related services.

The company has a 100% shareholding in Grove House UK Limited which owns the freehold interest in Grove House, an office development in Marylebone which was totally refurbished during 2011 with practical completion in early 2012. 10-year leases have now been signed in respect of four floors and it is anticipated that the building will be completely tenanted within the next few months.

During the year, the company continued to have interests in two properties in London's West End, comprising (i) a 50% interest in a leasehold office/retail development at 5 Savile through 5 Savile Row Unit Trust, a Jersey-registered property unit trust, the other 50% being owned by Nomura Real Estate UK Limited ("Nomura"), and, until 1 February 2012, (ii) a 70% interest in a leasehold office development at 103 Mount Street through 103 Mount Street Unit Trust ("MSUT"), another Jersey-registered property unit trust. On that date, the company sold 20% of its units in MSUT to Hulic UK Limited ("Hulic") which also acquired Nomura's 30% interest, leaving the company and Hulic each with a 50% interest in MSUT.

### **Going concern**

The company's principal source of income consists of dividends from 5 Savile Row Unit Trust and 103 Mount Street Unit Trust. As the leases of the business premises within the properties owned by these entities have a number of years to run and the tenants are considered to be sound corporate entities, the risk of reduction in these dividends is considered to be insubstantial.

At the balance sheet date the company had net assets of £56.0m (2011: £52.0m).

Although the company has net assets of £56.0m, it has net current liabilities of £6.6m. The directors have therefore received an undertaking from the company's ultimate parent company, Kajima Corporation, that it will provide or procure adequate finance to enable the company to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements.

In view of the above considerations, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Results and dividends**

As shown in Note 2 on page 9, the company's turnover is derived solely from asset management fees which have decreased by 16% compared with the previous year. In addition, the company received dividends totalling £1.9m (2011: £2.2m) from its unit-holdings in the property trusts.

Overall, the company made a profit after tax of £3.3m (2011: £2.6m).

No dividend was paid in the year (2011: £nil) and the directors recommend that no final dividend be paid (2011: £nil).

### **Post-balance sheet event**

On 25 January 2013, the company sold its unit-holding in 5 Savile Row Unit Trust and its shareholding in Savile Row Trust Advisers Limited, realising a capital gain of £3.4m. In view of the availability of prior year group capital losses, no charge to taxation is expected to arise on this transaction.

# Kajima Properties (Europe) Limited

## Directors' report (continued)

### Financial risk management

The financial risks to which the company is exposed are credit risk, cash flow risk, liquidity risk and valuation risk.

#### *Credit and cash flow risk*

For the reasons given under 'Going concern' (above), the company's credit and cash flow risk attributable to its dividend income from the freehold properties at 5 Savile Row and 103 Mount Street is considered by the directors to be insignificant.

#### *Liquidity risk*

The company has a flexible borrowing facility from its ultimate UK parent, Kajima Europe Limited. Since the latter is supported by the ultimate parent, Kajima Corporation, a company listed on the Tokyo Stock Exchange, the directors do not consider there to be a significant liquidity risk.

#### *Valuation risk*

The company's principal underlying assets are 100% of the freehold of Grove House, London NW1 (owned by its subsidiary Grove House UK Limited), 50% of 5 Savile Row, London W1 and 50% of 103 Mount Street, London W1. As the valuations at which these assets are shown in the company's balance sheet reflect current or recent somewhat depressed conditions in the London property market, the directors do not consider the company to be exposed to any significant valuation risk.

### Directors and their interests

On 1 January 2013, M Uchida resigned from the board and K Uchida was appointed as a director in his place. There have been no other changes in directorships during the year or since the year-end.

None of the directors had any interests in the shares of the company or any other group company at any time during the year.

A qualifying third party indemnity provision is currently in force for the benefit of certain directors.

### Disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the auditor is are unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditors in accordance with the Companies Act.

By Order of the Board



M Hedge  
Secretary

14 June 2013

# **Kajima Properties (Europe) Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Kajima Properties (Europe) Limited**

We have audited the financial statements of Kajima Properties (Europe) Limited for the year ended 31 December 2012 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 December 2012 and of its profit 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.

### **Opinion on matters prescribed in 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 in preparing the directors' report.



Makhan Chahal ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

17 June 2013

## Kajima Properties (Europe) Limited

### Profit and loss account Year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	142,444	169,990
Cost of sales		-	(24,284)
<b>Gross profit</b>		142,444	145,706
Administrative expenses		(778,534)	(698,120)
Reversal of impairment provision	7	-	1,300,000
<b>Operating (loss)/profit</b>	3	(638,090)	747,586
Profit on part-disposal of investments	4	2,206,039	-
<b>Profit on ordinary activities before finance charges</b>		1,569,949	747,586
Interest payable and similar charges	5	(126,771)	(319,885)
Other income	6	1,883,072	2,198,500
<b>Profit on ordinary activities before taxation</b>		3,326,250	2,626,201
Tax credit	7	-	21,771
<b>Profit on ordinary activities after taxation retained for the year</b>	12	3,326,250	2,647,972

All of the turnover consisted of property management fees and, as such, is derived from continuing operations.

### Statement of total recognised gains and losses Year ended 31 December 2012

		2012 £	2011 £
Profit attributable to shareholder of the company	12	3,326,250	2,647,972
Unrealised surplus on revaluation of fixed asset investment	12	725,543	11,397,478
<b>Total recognised gains and losses for the year</b>		4,051,793	14,045,450

The notes on pages 8 to 12 form part of these financial statements.



# Kajima Properties (Europe) Limited

## Balance sheet 31 December 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Fixed asset investments	8	62,671,143	68,511,200
<b>Current assets</b>			
Stock and work in progress		20,613	-
Debtors	9	18,490,026	18,763,238
Cash at bank and in hand		53,194	65,672
		18,563,833	18,828,910
<b>Creditors: amounts falling due within one year</b>	10	(25,208,795)	(35,365,722)
<b>Net current liabilities</b>		(6,644,962)	(16,536,812)
<b>Total assets less current liabilities</b>		56,026,181	51,974,388
<b>Net assets</b>		56,026,181	51,974,388
<b>Capital and reserves</b>			
Called up share capital	11	30,615,823	30,615,823
Revaluation reserve	12	12,123,021	11,397,478
Profit and loss account	12	13,287,337	9,961,087
<b>Shareholder's funds</b>	12	56,026,181	51,974,388

The financial statements of Kajima Properties (Europe) Limited, registered number 03162829, were approved by the Board of Directors on 14 June 2013 and signed on its behalf by:

  
J.M. Rudd-Jones  
Director

The notes on pages 8 to 12 form part of these financial statements.

# Kajima Properties (Europe) Limited

## Notes to the financial statements Year ended 31 December 2012

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are set out below; these have been applied consistently throughout the current and preceding years, except as disclosed below in respect of fixed asset investments.

#### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 3. The Directors' Report also describes the company's objectives, policies and exposure to market risk.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, except for fixed assets investments which are recorded on a valuation basis.

#### Turnover

Turnover represents fee income for project management services, exclusive of value added tax, and is recognised on accruals basis.

#### Group accounts

The company is exempt from the obligation to prepare and deliver group accounts under S.400 Companies Act 2006 as it is itself a subsidiary undertaking of an EU parent and is included in the parent's consolidated accounts. Since the UK parent company, Kajima Europe Limited, produces consolidated financial statements, these accounts present information about the company as an individual undertaking and not its group.

#### Cash flow statement

The company has taken advantage of the exemption provided under Financial Reporting Standard 1 (Revised 1996) not to provide a cash flow statement, as it is a wholly-owned subsidiary undertaking.

#### Fixed asset investments

Fixed asset investments in company shares and unit trust units are stated at a valuation basis permitted under the alternative valuation rules in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, reflecting the current market value of the assets held by those entities.

#### Joint arrangements

In accordance with Financial Reporting Standard 9, Associates and Joint Ventures, the company accounts for its share of the results, assets and liabilities in joint arrangements according to the terms of the arrangements, which is pro-rata to the company's interest in the joint arrangement.

The company capitalises directly attributable interest on its investment in the joint venture partnership up to the completion of the development. Rates of capitalisation are based on the specific loan rate incurred.

#### Related party transactions

The company is a wholly-owned subsidiary of the Kajima Europe Limited group of companies and has taken advantage of the exemption that is conferred by Financial Reporting Standard 8, Related Party Disclosures that allows it not to disclose transactions with group companies.

# Kajima Properties (Europe) Limited

## Notes to the financial statements Year ended 31 December 2012

### 1. ACCOUNTING POLICIES (continued)

#### Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

### 2. TURNOVER

	2012	2011
	£	£
Property management fees	142,444	169,990

Turnover is wholly derived from activities carried out in the United Kingdom.

### 3. OPERATING PROFIT

The audit fees of £2,000 (2011: £1,000) for audit of the annual accounts for the current year and preceding year has been borne by a fellow group company. The company has no employees other than its directors, who received no remuneration for their services as directors of the company during the year (2011: £nil).

### 4. PROFIT ON PART-DISPOSAL OF INVESTMENTS (Note 8)

	2012	2011
	£	£
20% of units in 103 Mount Street Unit Trust	2,206,035	-
20% shareholding in Mount Street Advisers Limited	4	-
	<u>2,206,039</u>	<u>-</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank interest	-	48
Interest payable to ultimate UK parent undertaking	126,771	319,837
	<u>126,771</u>	<u>319,885</u>

# Kajima Properties (Europe) Limited

## Notes to the financial statements Year ended 31 December 2012

### 6. OTHER INCOME

Other income consists of dividends received from the following investments:

	2012 £	2011 £
5 Savile Row Unit Trust	1,067,500	1,057,500
103 Mount Street Unit Trust	815,572	1,141,000
	<u>1,883,072</u>	<u>2,198,500</u>

### 7. TAXATION

#### (a) Tax credit for the year

	2012 £	2011 £
Current tax:		
Payment for group relief received in respect of prior year	-	21,771
Deferred tax	-	-
Total tax credit for the year	<u>-</u>	<u>21,771</u>

#### (b) Factors affecting taxation for the year

The current tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	<u>3,326,250</u>	<u>2,626,201</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)*	(814,931)	(695,943)
<i>Effects of:</i>		
Expenses disallowed for tax purposes	(1,800)	(2,422)
Provision written back not taxable	-	344,500
Other short-term timing differences	(8,292)	11,196
Losses brought forward utilised against profits	322,562	342,591
Capital gain offset against prior year group losses	532,826	-
Current year losses carried forward	(30,398)	-
Transfer pricing adjustment	33	78
Adjustment in respect of prior year	-	21,771
Current tax credit for the year	<u>-</u>	<u>21,771</u>

\*Blended rates for 2012 and 2011

# Kajima Properties (Europe) Limited

## Notes to the financial statements Year ended 31 December 2012

### 7. TAXATION (continued)

#### (c) Deferred taxation

A potential net deferred tax asset of £4.3m (2011: £5m), primarily in relation to short-term timing differences, has not been recognised on the basis that it is not expected to have any practical value in the short term.

The standard rate of corporation tax was reduced to 23% on 1 April 2013. The Government has also announced that it intends to reduce the standard rate of corporation tax to 21% on 1 April 2014 and 20% on 1 April 2015, but these reductions had not been enacted in law at the balance sheet date.

### 8. FIXED ASSETS INVESTMENTS

	2012 £	2011 £
<b>Cost or valuation</b>		
At 1 January	68,511,200	57,113,722
Revaluation (Note 12)	3,020,143	11,397,478
Disposals	(8,860,200)	-
At 31 December	<u>62,671,143</u>	<u>68,511,200</u>
<b>Provision for impairment</b>		
At 1 January	-	(1,300,000)
Written back to profit and loss account	-	1,300,000
At 31 December	<u>-</u>	<u>-</u>
<b>Net book value</b>		
At 31 December	<u><u>62,671,143</u></u>	<u><u>68,511,200</u></u>

The disposals consisted of a 20% unit-holding in 103 Mount Street Unit Trust and a 20% shareholding in Mount Street Advisers Limited.

The company's investment properties through its subsidiary, Grove House UK Limited, and its joint ventures, 5 Savile Row Investment Unit Trust and 103 Mount Street Unit Trust, have been revalued by reference to an independent firm of professional valuers.

### 9. DEBTORS

	2012 £	2011 £
Trade debtors	17,258	-
Amount owed by ultimate UK parent undertaking	17,834,393	17,834,393
Other debtors	49,500	49,500
Other accrued income and debtors	588,875	879,345
	<u><u>18,490,026</u></u>	<u><u>18,763,238</u></u>

# Kajima Properties (Europe) Limited

## Notes to the financial statements Year ended 31 December 2012

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	40	3,442
Amount owed to ultimate UK parent undertaking	5,010,165	15,909,534
Amount owed to fellow subsidiaries	20,186,090	19,427,646
Other creditors	-	12,600
Accruals and deferred income	12,500	12,500
	<u>25,208,795</u>	<u>35,365,722</u>

The amount due to the ultimate UK parent, Kajima Properties (Europe) Limited, consists of a loan with an interest rate of LIBOR plus 1.1% and is renewable annually. The amounts due to fellow subsidiaries are all interest-free and repayable on demand.

### 11. CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
30,615,823 (2011: 30,615,823) ordinary shares of £1 each	30,615,823	30,615,823
	<u>30,615,823</u>	<u>30,615,823</u>

### 12. MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 January 2012	30,615,823	11,397,478	9,961,087	51,974,388
Revaluation of fixed asset investments (Note 8)	-	3,020,143	-	3,020,143
Disposal	-	(2,294,600)	-	(2,294,600)
Profit for the year	-	-	3,326,250	3,326,250
	<u>30,615,823</u>	<u>12,123,021</u>	<u>13,287,337</u>	<u>56,026,181</u>
At 31 December 2012	<u>30,615,823</u>	<u>12,123,021</u>	<u>13,287,337</u>	<u>56,026,181</u>

### 13. POST-BALANCE SHEET EVENT

On 25 January 2013, the company sold its unit-holding in 5 Savile Row Unit Trust, realising a capital gain of £3.4m. In view of the availability of prior year group capital losses, no charge to taxation is expected to arise on this transaction.

### 14. ULTIMATE AND IMMEDIATE PARENT COMPANY

The company's ultimate controlling entity, ultimate parent company and parent company of the largest group of which the company is a member and for which group financial statements are prepared is Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 3-1 Motoakasaka, 1-chome, Minato-ku, Tokyo 107-8388.

The company's immediate controlling entity is Kajima Estates (Europe) Limited, a company incorporated in Great Britain. The smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe Limited, a company incorporated in Great Britain. Copies of the group financial statements are available from the registered office.