Company Registration No. 03162829

Kajima Properties (Europe) Limited

Report and Financial Statements

31 December 2015

Kajima Properties (Europe) Limited

Report and financial statements 2015

Contents

Kajima Properties (Europe) Limited

Report and financial statements 2015

Officers and professional advisers

Directors

H Ichiki
J M Rudd-Jones
N W M G Chism
Y Yatsuzuka
M Maeda
J B Harcourt

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 2015. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly-owned subsidiary of Kajima Estates (Europe) Limited ("KEE").

The company's principal activity is property development and investment and the provision of property-related services. There have been no significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of the report, of any likely major changes in the company's activities in the next year.

On 15 January 2015, the company purchased 17,573,600 shares, being the entire share capital, in Metroinvest Moorgate S.a r.l ("MM") (a company registered in Luxembourg), whose principal asset is the freehold interest in 55 Moorgate, London EC2, together with an intercompany loan of £28,313,355 at par, for a total cash consideration of £50,018,578. On 22 December 2015, the inter-company loan was capitalised by the issue of a further 22,833,351 shares to the company. On the same day, the company sold its entire holding of 40,406,951 shares in MM to Moorgate Unit Trust ("MUT"), a newly-formed Jersey-registered property unit trust, for a cash consideration of £49,500,000. Also on the same day, MUT issued units to the company and its immediate parent, Kajima Estates (Europe) Ltd ("KEE") in the ratio 99:1 for a total cash consideration of £49,500,000.

On 2 July 2015, the company and its 50% co-investor sold their units in 103 Mount Street Unit Trust to a third party, the company's share of the proceeds being £40.6m (Note 5). In view of the availability of prior year group capital losses for offset against the resulting net chargeable gain, no liability to corporation tax is expected to arise on this transaction.

The company continues to hold 99% of the units in Grove House Unit Trust ("GHUT"), a Jersey-registered property unit trust, which owns the freehold of The Grove, an office development in London, NW1, which was professionally valued at £23.0m at the year-end. The other 1% of the units are held by KEE.

As shown in Note 4 on page 12, the company's turnover is derived solely from asset management fees. In addition, the company received dividends totalling £1.4m (2014: £2.0m) from its unit-holdings in the property trusts. Overall, the company made a profit after tax of £23.0m (2014: £1.4m).

No dividend was paid in the year (2014: £nil) and the directors recommend that no final dividend be paid (2014: £nil).

Change in reporting standard applied

During the year the company transitioned to Financial Reporting Standard No.101 (FRS 101) issued by the Financial Reporting Council, being the International Financial Reporting Standard (IFRS) within the reduced disclosure framework (see Note 2 for further details). The effective date of the transition is 1st January 2014. This has had no effect on the company's reported profit for the year or on its net assets.

Going concern

The company's principal source of income consists of dividends from Grove House Unit Trust and Moorgate Unit Trust. As these entities respectively own the freeholds of The Grove and 55 Moorgate, combined with the fact that the tenants of both 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 £79.8m (2014: £68.2m) and net current assets of £7.3m (2014: £17.0m)

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.

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 Grove and 55 Moorgate is considered by the directors to be insignificant.

Kajima Properties (Europe) Limited

Directors' report (continued)

Financial risk management (continued)

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 99% each of the freeholds of The Grove, London NW1 and 55 Moorgate, London EC2. As the valuations at which these assets are shown in the company's balance sheet reflect current or recent market values and the London commercial property market remains buoyant for the foreseeable future, the directors do not consider the company to be exposed to any significant valuation risk.

Directors and their interests

The current directors of the company are shown on page 1. The following changes have taken place during the year or subsequently:

	Appointed	Resigned
K Uchida		31.03.15
M Uchida	01.04.15	29.05.15
I Iizawa		29.05.15
H Ichiki	29.05.15	
Y Yatsuzuka	29.05.15	
M Maeda	02.06.16	
J B Harcourt	02.06.16	

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

D M Hedge
Secretary

9 June 2016

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), 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed: 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 2015 which comprise the profit and loss account, the Statement of comprehensive income, the balance sheet, the Statement of changes in equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption from preparing a strategic report or 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

9 June 2016

Kajima Properties (Europe) Limited

Profit and loss account
Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	120,000	199,259
Cost of sales		-	31,434
Gross profit		120,000	230,693
Administrative expenses		(1,663,386)	(704,254)
Operating loss	5	(1,543,386)	(473,561)
Investment revenues	6	1,415,093	1,961,369
Other gains and losses	7	23,246,593	(48,748)
Finance costs	8	(270,788)	-
Profit on ordinary activities before taxation		22,847,512	1,439,060
Taxation	9	-	-
Profit on ordinary activities after taxation retained for the year		22,847,512	1,439,060

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

The restatement of the financial statements from UK GAAP to FRS 101 has not led to any change to the results in either the current or preceding year and, accordingly, no reconciliation of profit and loss account is presented.

Statement of comprehensive income
Year ended 31 December 2015

	Note	2015 £	2014 £
Profit for the year		22,847,512	1,439,059
Items that will not be reclassified subsequently to profit or loss:			
Unrealised surplus on revaluation of fixed asset investment	10	1,017,363	4,589,823
Revaluation reserve released on disposal of fixed asset investment		(12,194,071)	-
Corporation tax relating to items that will not be reclassified subsequently to profit or loss	9(d)	-	-
Other comprehensive income for the year		(11,176,708)	4,589,823
Total comprehensive income for the year		11,670,804	6,028,882

The notes on pages 9 to 16 form part of these financial statements.

Kajima Properties (Europe) Limited

Balance sheet
31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Fixed asset investments	10	72,566,056	51,127,077
Current assets			
Debtors	11	25,249,359	35,794,401
Cash at bank and in hand		40,724	8,871
		25,290,083	35,803,272
Current liabilities			
Trade and other payables	12	(155,541)	(117,961)
Borrowings	13	(17,864,394)	(18,646,988)
		(18,019,935)	(18,764,949)
Net current assets		7,270,148	17,038,323
Total assets less current liabilities		79,836,204	68,165,400
Net assets		79,836,204	68,165,400
Capital and reserves			
Called up share capital	14	30,615,823	30,615,823
Revaluation reserve		7,195,055	18,371,763
Profit and loss account		42,025,326	19,177,814
Shareholder's funds		79,836,204	68,165,400

No adjustments at 1 January 2014 and 31 December 2014 are necessary in respect of the transition from UK GAAP to FRS 101 and, accordingly, no reconciliation of the balance sheets or statement of changes in equity has been presented.

These accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. The financial statements of Kajima Properties (Europe) Limited, registered number 03162829, were approved by the Board of Directors and authorised for issue on 9 June 2016 and signed on its behalf by:

N W M G Chism

Director

The notes on pages 9 to 16 form part of these financial statements.

Statement of changes in equity
31 December 2015

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 January 2014	30,615,823	13,781,940	17,738,754	62,136,517
Profit for the year	-	-	1,439,060	1,439,060
Other comprehensive income for the year	-	4,589,823	-	4,589,823
Total comprehensive income for the year	-	4,589,823	1,439,060	6,028,883
Balance at 31 December 2014	30,615,823	18,371,763	19,177,814	68,165,400
Profit for the year	-	-	22,847,512	22,847,512
Other comprehensive income for the year	-	(11,176,708)	-	(11,176,708)
Total comprehensive income for the year	-	(11,176,708)	22,847,512	11,670,804
Balance at 31 December 2015	30,615,823	7,195,055	42,025,326	79,836,204

The notes on pages 9 to 16 form part of these financial statements.

Notes to the financial statements
Year ended 31 December 2015

1. GENERAL INFORMATION

Kajima Properties (Europe) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2. Details of the company's immediate and ultimate parent undertakings are provided in Note 17. These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 21 *Levies*	The Company has adopted IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.
Annual Improvements to IFRSs: 2011-2013	The Company has adopted the various amendments to a number of standards. IFRS 3 *Business Combinations,* IFRS 13 *Fair Value Measurement and* IAS 40 *Investment Property.* The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

2. ACCOUNTING POLICIES

Basis of preparation

Currency

These financial statements have been prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates (its functioning currency).

Consolidated 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 ultimate 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. Details of where Kajima Europe Limited's financial statements can be obtained are found in Note 16.

Transition to FRS 101

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year unless otherwise stated, exemption having been taken under FRS 101 from presenting a third balance sheet.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from UK GAAP to FRS 101 (Financial Reporting Standard 101 'Reduced Disclosure Framework') as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006.

Notes to the financial statements
Year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Transition to FRS 101 (continued)

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Kajima Europe Limited, the group accounts of which are available to the public and can be obtained as set out in Note 17.

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.

Going concern

The company's principal source of income consists of dividends from Grove House Unit Trust and Moorgate Unit Trust. As these entities respectively own the freeholds of The Grove and 55 Moorgate, combined with the fact that the tenants of both 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 £79.8m (2014: £68.2m) and net current assets of £7.3m (2014: £17.0m)

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.

Revenue recognition

Turnover represents fee income for project management and property development services, exclusive of value added tax, and is recognised on an accruals basis. There has been no variation between the cash value and the fair value of the consideration received.

Investment revenues

Dividend income from investments is recognised when the unitholders' or shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Fixed asset investments

Fixed asset investments in company shares and unit trust units are stated at a valuation basis reflecting the current market value of the assets held by those entities.

Joint arrangements

In accordance with IFRS 11, *Joint Arrangements*, 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 IAS 24 (International Accounting Standard No. 24, 'Related Party Disclosures') that allows it not to disclose transactions with group companies.

2. ACCOUNTING POLICIES (continued)

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Borrowing costs

Borrowing costs are recognised in the profit and loss account in the period in which they are incurred on an accruals basis.

Taxation

Tax charge or credit for the year

The tax expense for the year represents the total of current taxation and deferred taxation.

Current taxation

The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided in full, using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are continuously reviewed. 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.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The directors do not consider there to be any critical sources of estimation uncertainty.

4. TURNOVER

	2015	**2014**
	£	**£**
Property management fees	120,000	199,259

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

Notes to the financial statements
Year ended 31 December 2015

5. OPERATING LOSS

The audit fees of £11,790 (2014: £2,000) 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 (2014: none), who received no remuneration for their services as directors of the company during the year (2014: £nil).

6. INVESTMENT REVENUES

	2015 £	2014 £
Interest receivable from:		
Bank	6,558	54
Ultimate UK parent undertaking	27,746	121,315
Total	34,304	121,369
Dividends receivable from investments:		
Savile Row Trust Advisers Limited	19,401	-
103 Mount Street Unit Trust	750,000	850,000
Grove House UK Limited	452,988	-
Grove House Unit Trust	158,400	990,000
Total	1,380,789	1,840,000
Total investment revenues	1,415,093	1,961,369

7. OTHER GAINS AND LOSSES

Profit/(loss) on disposal of investments	2015 £	2014 £
50% unitholding in 103 Mount Street Unit Trust (Note 10)	23,765,171	-
100% shareholding in Metroinvest Moorgate S.a r.l. (Note 10)	(518,577)	-
50% shareholding in Savile Row Trust Advisers Limited (Note 10)	(1)	-
49.5% share of the London Wall Limited Partnership ("LWLP")	-	(48,748)
Total other gains and losses	23,246,593	(48,748)

In view of the availability of prior year group capital losses for offset against the resulting net chargeable gain, no liability to corporation tax is expected to arise on these transactions.

8. FINANCE COSTS

	2015 £	2014 £
Interest payable to ultimate UK parent undertaking	270,788	-

9. TAXATION

(a) Tax charge for the year

No current or deferred tax charge or credit for the year arises (2014: £nil).

(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:

	2015 £	2014 £
Profit on ordinary activities before tax	22,847,512	1,439,060
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)*	(4,626,621)	(334,581)
Effects of:		
Impairment provision disallowed for tax purposes	(105,012)	-
Expenses disallowed for tax purposes	(183,015)	(4,297)
Capital loss disallowed	-	(11,334)
Other short-term timing differences	(3,167)	(34,914)
Losses brought forward utilised against profits	-	195,019
Group relief claimed	105,483	190,150
Utilisation of prior year group capital losses against chargeable gain	4,088,965	-
Indexation allowance re chargeable gain	723,482	-
Transfer pricing adjustment	(115)	(43)
Current tax charge for the year	-	-

*Blended rates for 2015 and 2014

(c) Deferred taxation

A potential net deferred tax asset of £3.3m (2014: £3.6m), 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.

A reduction in the main rate of UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020 was substantively enacted on 26 October 2015 (Finance (No. 2) Act 2015). Deferred tax assets and liabilities at the end of the reporting period have been measured at 18% (2014: 20%), as it is anticipated that the timing differences will reverse at this rate. It is not expected that the reduction in tax rates will have a material impact on Kajima Partnerships (Europe) Limited.

(d) Corporation tax on other comprehensive income

In view of the availability of group relief, including prior year group capital losses, no tax liability is anticipated on the eventual disposal of investments subject to revaluation.

Kajima Properties (Europe) Limited

Notes to the financial statements
Year ended 31 December 2015

10. FIXED ASSETS INVESTMENTS

	2015 £	2014 £
Cost or valuation		
At 1 January*	51,127,077	46,537,253
Acquisitions	99,048,265	-
Disposals	(78,626,649)	-
Revaluation	1,017,363	4,589,823
At 31 December	72,566,056	51,127,077

Comprising:

Holding	Entity	Percentage holding	Country of registration	2015 £	2014 £
16,554 units	103 Mount Street Unit Trust	50%	Jersey	-	28,607,571
99 units	Grove House Unit Trust	99%	Jersey	23,535,868	22,518,505
99 units	Moorgate Unit Trust	99%	Jersey	49,005,000	-
500 £1 ordinary shares	Savile Row Trust Advisers Limited	50%	U.K.	-	500
1,000 £1 ordinary shares	Mount Street Advisers Limited	100%	U.K.	25,187	500
1 £1 ordinary share	Grove House Trust Advisers Limited	99%	U.K.	1	1
				72,566,056	51,127,077

Acquisitions:

Holding	Entity	Percentage holding acquired	Country of registration	£
40,406,951 £1 shares	Metroinvest Moorgate S.a r.l.	100%	Luxembourg	50,018,578
99 units	Moorgate Unit Trust	99%	Jersey	49,005,000
500 £1 ordinary shares	Mount Street Advisers Limited	100%	U.K.	24,687
				99,048,265

Disposal (Note 7):

Holding	Entity	Percentage holding sold	Country of registration	£
16,554 units	103 Mount Street Unit Trust	50%	Jersey	28,607,571
40,406,951 £1 shares	Metroinvest Moorgate S.a r.l.	100%	Jersey	50,018,578
1,000 £1 ordinary shares	Savile Row Trust Advisers Limited ("SRTA")	100%	U.K.	500
				78,626,649

Following the reduction of its share capital to £1, SRTA was dissolved during the year.

*The valuation as at 1st January 2015 is the deemed cost of the investments. There are no adjustments with respect to the carrying amount of the investments reported under UK GAAP to the brought forward amount recognised under FRS 101.

On 15 January 2015, the company purchased 17,573,600 shares, being the entire share capital, in Metroinvest Moorgate S.a r.l ("MM") (a company registered in Luxembourg), whose principal asset is the freehold interest in 55 Moorgate, London EC2, together with an intercompany loan of £28,313,355 at par, for a total cash consideration of £50,018,578. On 22 December 2015, the inter-company loan was capitalised by the issue of a further 22,833,351 shares to the company. On the same day, the company sold its entire holding of 40,406,951 shares in MM to Moorgate Unit Trust ("MUT"), a newly-formed Jersey-registered property unit trust, for a cash consideration of £49,500,000. Also on the same day, MUT issued units to the company and its immediate parent, Kajima Estates (Europe) Ltd ("KEE") in the ratio 99:1 for a total cash consideration of £49,500,000.

10. FIXED ASSETS INVESTMENTS (continued)

On 2 July 2015, the company and its 50% co-investor sold their units in 103 Mount Street Unit Trust to a third party, the company's share of the proceeds being £40.6m, resulting in a profit of £23,765,171 (Note 7).

The revaluation is in respect of the company's 99% unitholding in Grove House Unit Trust, reflecting the market value of the freehold property known as "The Grove", based on a professional valuation performed at the balance sheet date by Cushman Wakefield.

11. DEBTORS

	2015 £	2014 £
Amounts owed by group undertakings	24,952,798	30,179,583
Prepayments and accrued income	60,000	5,614,818
Other debtors	236,561	-
	25,249,359	35,794,401

The amounts owed by group undertakings include a loan of £6,622,714 to the ultimate UK parent, Kajima Europe Limited, which has an interest rate of LIBOR plus 1.1%, renewable annually.

12. TRADE AND OTHER PAYABLES

	2015 £	2014 £
Other creditors	541	101,060
Accruals and deferred income	155,000	16,901
	155,541	117,961

13. BORROWINGS

	2015 £	2014 £
Amounts owed to group undertakings	17,864,394	18,646,988

The above amount includes an interest-free loan of £17,864,394 due to Kajima Europe UK Holding Limited ("KEUKH"). The right to repayment of the loan was assigned by KEUKH to Kajima Europe Limited after the year-end and KEUKH has since been placed into members' voluntary liquidation.

14. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2015 £	2014 £
30,615,823 (2014: 30,615,823) ordinary shares of £1 each	30,615,823	30,615,823

All the shares rank pari passu.

15. REVALUATION RESERVE

The company obtains annual professional valuations of its investments and accounts for any changes through the revaluation reserve. In view of the existence of substantial prior year group capital losses, no deferred tax provision on the unrealised chargeable gain is considered necessary.

Notes to the financial statements
Year ended 31 December 2015

16. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The directors are not aware of any contingent liabilities incurred by the company (2014: none).

The company currently has no capital commitments (2014: none).

17. 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 immediate control entity's and group's financial statements are available from 55 Baker Street, London W1U 8EW.