

Company Registration No. 03162829

Kajima Properties (Europe) Limited

Report and Financial Statements

31 December 2014

Kajima Properties (Europe) Limited

Report and financial statements 2014

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Kajima Properties (Europe) Limited

Report and financial statements 2014

Officers and professional advisers

Directors

H Ichiki (app. 29.05.15)
J M Rudd-Jones
N W M G Chism
Y Yatsuzuka (app. 29.05.15)

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 2014. This directors' report has been prepared in accordance with the special provisions applicable to the small company exemptions. The company has also claimed the small companies exemption from preparing the strategic report.

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.

The company continues to hold a 50% interest in a leasehold office development at 103 Mount Street in London's Mayfair through its holding in 103 Mount Street Unit Trust ("MSUT"), a Jersey-registered property unit trust, the other 50% being held by Hulic UK Limited. In addition, the company has a 100% freehold interest in The Grove, a fully tenanted office development in Marylebone, through its ownership of the Grove House Unit Trust, another Jersey-registered property unit trust.

During the year, the London Wall Limited Partnership, in which the company had held a 49.5% interest and which had been effectively dormant for some 5 years since it sold its single investment property, was dissolved and a loss of £0.05m was recognised in the current year's profit and loss account; this compares with a profit of £3.6m on disposal of another investment in 2013.

As shown in Note 2 on page 9, the company's turnover is derived solely from asset management fees which have increased by 48.6% compared with the previous year. In addition, the company received dividends totalling £1.8m (2013: £1.2m) from its unit-holdings in the property trusts. Overall, the company made a profit after tax of £1.4m (2013: £4.5m).

No dividend was paid in the year (2013: £nil) and the directors recommend that no final dividend be paid (2013: £nil).

Going concern

The company's principal source of income consists of dividends from 103 Mount Street Unit Trust and Grove House 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 £68.2m (2013: £62.1m) and net current assets of £17.0m (2013: £15.6m)

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 103 Mount Street and The Grove 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.

Kajima Properties (Europe) Limited

Directors' report (continued)

Financial risk management (continued)

Valuation risk

The company's principal underlying assets are 100% of the freehold of Grove House, London NW1 and 50% of the freehold 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 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.

Post balance sheet event

On 12 January 2015, the company purchased a 100% interest in a freehold office development at 55-61 Moorgate, London EC2 by acquisition of the entire share capital of the property's owner, Metroinvest Moorgate S.a.r.l, a company registered in Luxembourg, for a total cost of £50m.

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 | 01.05.15 | 29.05.15 |
| I Iizawa | | 29.05.15 |
| H Ichiki | 29.05.15 | |
| Y Yatsuzuka | 29.05.15 | |

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

30 June 2015

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 accounting 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 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 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 2014 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 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

30 June 2015

Kajima Properties (Europe) Limited

Profit and loss account Year ended 31 December 2014

| | Note | 2014 £ | 2013 £ |
|---|------|-----------|-----------|
| Turnover | 2 | 199,259 | 135,000 |
| Cost of sales | | 31,434 | - |
| Gross profit | | 230,693 | 135,000 |
| Administrative expenses | | (704,254) | (673,082) |
| Operating loss | 3 | (473,561) | (538,082) |
| (Loss)/profit on disposal of investments | 4 | (48,748) | 3,636,614 |
| (Loss)/profit on ordinary activities before finance charges | | (522,309) | 3,098,532 |
| Interest receivable | 5 | 121,369 | 128,158 |
| Interest payable and similar charges | 6 | - | (6,637) |
| Other income | 7 | 1,840,000 | 1,231,364 |
| Profit on ordinary activities before taxation | | 1,439,060 | 4,451,417 |
| Taxation | 8 | - | - |
| Profit on ordinary activities after taxation retained for the year | 13 | 1,439,060 | 4,451,417 |

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 2014

| | | 2014 £ | 2013 £ |
|--|----|-----------|-------------|
| Profit attributable to shareholder of the company | 13 | 1,439,059 | 4,451,417 |
| Unrealised surplus on revaluation of fixed asset investment | 13 | - | 5,290,169 |
| Revaluation reserve released on disposal of fixed asset investment | 13 | - | (3,631,250) |
| Total recognised gains and losses for the year | | 1,439,059 | 6,110,336 |

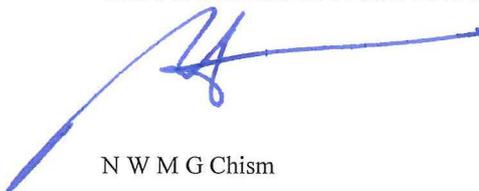
The notes on pages 8 to 12 form part of these financial statements.

Kajima Properties (Europe) Limited

Balance sheet 31 December 2014

| | Note | 2014 £ | 2013 £ |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Fixed asset investments | 9 | 51,127,077 | 46,537,253 |
| Current assets | | | |
| Stock and work in progress | | - | 120 |
| Debtors | 10 | 35,794,401 | 34,009,976 |
| Cash at bank and in hand | | 8,871 | 68,176 |
| | | 35,803,272 | 34,078,272 |
| Creditors: amounts falling due within one year | 11 | (18,764,949) | (18,479,008) |
| Net current assets | | 17,038,323 | 15,599,264 |
| Total assets less current liabilities | | 68,165,400 | 62,136,517 |
| Net assets | | 68,165,400 | 62,136,517 |
| Capital and reserves | | | |
| Called up share capital | 12 | 30,615,823 | 30,615,823 |
| Revaluation reserve | 13 | 18,371,763 | 13,781,940 |
| Profit and loss account | 13 | 19,177,814 | 17,738,754 |
| Shareholder's funds | 13 | 68,165,400 | 62,136,517 |

The financial statements of Kajima Properties (Europe) Limited, registered number 03162829, were approved by the Board of Directors on 30 June 2015 and signed on its behalf by:



N W M G Chism
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 2014

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.

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.

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

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

| | 2014 £ | 2013 £ |
|--------------------------|-----------|-----------|
| Property management fees | 199,259 | 135,000 |

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

3. OPERATING PROFIT

The audit fees of £2,000 (2013: £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 (2013: none), who received no remuneration for their services as directors of the company during the year (2013: £nil).

4. (LOSS)/PROFIT ON DISPOSAL OF INVESTMENTS (Note 9)

| | 2014 £ | 2013 £ |
|--|-----------------|------------------|
| 50% of units in 105 Savile Row Unit Trust | - | 3,636,614 |
| 49.5% share of the London Wall Limited Partnership | (48,748) | - |
| | <u>(48,748)</u> | <u>3,636,614</u> |

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2014 £ | 2013 £ |
|---|----------------|----------------|
| Bank interest receivable | 54 | 1,426 |
| Interest receivable from ultimate UK parent undertaking | 121,315 | 126,732 |
| | <u>121,369</u> | <u>128,156</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Interest payable to ultimate UK parent undertaking | - | 6,637 |

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2014

7. OTHER INCOME

Other income consists of dividends received from the following investments:

| | 2014 £ | 2013 £ |
|-----------------------------|------------------|------------------|
| 5 Savile Row Unit Trust | - | 258,864 |
| 103 Mount Street Unit Trust | 850,000 | 972,500 |
| Grove House Unit Trust | 990,000 | - |
| | <u>1,840,000</u> | <u>1,231,364</u> |

8. TAXATION

(a) Tax charge for the year

No current or deferred tax charge or credit for the year arises (2013: £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:

| | 2014 £ | 2013 £ |
|---|------------------|------------------|
| Profit on ordinary activities before tax | <u>1,439,060</u> | <u>4,451,417</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)* | (334,581) | (1,034,954) |
| <i>Effects of:</i> | | |
| Expenses disallowed for tax purposes | (4,297) | (14,586) |
| Other short-term timing differences | (34,914) | 19,009 |
| Losses brought forward utilised against profits | 195,019 | 185,444 |
| Capital gain offset against prior year group losses | - | 845,513 |
| Capital loss disallowed | (11,334) | - |
| Group relief claimed | 190,150 | - |
| Transfer pricing adjustment | (43) | (426) |
| Current tax credit for the year | <u>-</u> | <u>-</u> |

*Blended rates for 2014 and 2013

(c) Deferred taxation

A potential net deferred tax asset of £3.6m (2013: £3.5m), 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.

Under UK GAAP, deferred tax, where applicable, is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Legislation was passed in July 2013 to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. It is anticipated that the timing differences will reverse at the reduced tax rate of 20%, which has therefore been applied in the calculation of deferred tax.

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2014

9. FIXED ASSETS INVESTMENTS

| | 2014 | 2013 |
|--------------------------|-------------------|-------------------|
| | £ | £ |
| Cost or valuation | | |
| At 1 January | 46,537,253 | 62,671,143 |
| Disposals | - | (24,508,250) |
| Acquisitions | - | 100 |
| Revaluation | 4,589,823 | 22,021,830 |
| Impairment | - | (13,647,570) |
| | <u>51,127,077</u> | <u>46,537,253</u> |
| At 31 December | <u>51,127,077</u> | <u>46,537,253</u> |

The revaluation consists of £1,742,988 in respect of the 100% interest in Grove House Unit Trust, reflecting the market value of the freehold property known as "The Grove", and £2,846,835 in respect of the company's 50% investment in 103 Mount Street Unit Trust, reflecting the market value of the property at 55 Mount Street. Both revaluations have been by reference to an independent firm of professional valuers.

10. DEBTORS

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | £ | £ |
| Amount owed by ultimate parent undertaking | 30,690 | 690 |
| Amount owed by ultimate UK parent undertaking | 30,148,893 | 33,645,610 |
| Prepayments and accrued income | 5,614,818 | 314,176 |
| Other debtors | - | 49,500 |
| | <u>35,794,401</u> | <u>34,009,976</u> |

The amount due from the ultimate UK parent, Kajima Europe Limited, contains a loan of £12,356,520 with an interest rate of LIBOR plus 1.1%, renewable annually, the balance being interest-free.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | £ | £ |
| Amount owed to subsidiary undertaking | 441,518 | 45,518 |
| Amount owed to fellow-subsiary undertakings | 18,205,470 | 18,411,504 |
| Other creditors | 101,060 | 501 |
| Accruals and deferred income | 16,901 | 21,485 |
| | <u>18,764,949</u> | <u>18,479,008</u> |

The amounts due to fellow subsidiary undertakings are all interest-free and repayable on demand.

12. CALLED UP SHARE CAPITAL

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 30,615,823 (2013: 30,615,823) ordinary shares of £1 each | <u>30,615,823</u> | <u>30,615,823</u> |

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2014

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

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|---|-----------------------|-----------------------------|---------------------------------|-------------------|
| At 1 January 2013 | 30,615,823 | 12,123,021 | 13,287,337 | 56,026,181 |
| Disposals | - | (3,631,250) | - | (3,631,250) |
| Revaluation of fixed asset investments (Note 9) | - | 5,290,169 | | 5,290,170 |
| Profit for the year | - | - | 4,451,417 | 4,451,416 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 1 December 2014 | 30,615,823 | 13,781,940 | 17,738,754 | 62,136,517 |
| Revaluation of fixed asset investments (Note 9) | - | 4,589,823 | - | 4,589,823 |
| Profit for the year | - | - | 1,439,060 | 1,439,060 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2014 | <u>30,615,823</u> | <u>18,371,763</u> | <u>19,177,814</u> | <u>68,165,400</u> |

14. POST BALANCE SHEET EVENT

On 12 January 2015, the company purchased a 100% interest in a freehold office development at 55-61 Moorgate, London EC2 by acquisition of the entire share capital of the property's owner, Metroinvest Moorgate S.a.r.l, a company registered in Luxembourg, for a total cost of £50m.

15. 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.