

Company Registration No. 3162829

Kajima Properties (Europe) Limited

Report and Financial Statements

31 December 2010

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Kajima Properties (Europe) Limited

Report and financial statements 2010

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Kajima Properties (Europe) Limited

Report and financial statements 2010

Officers and professional advisers

Directors

M 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

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

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 2010. This directors' report has been prepared in accordance with the special provisions applicable entitled 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 partly tenanted by fellow subsidiaries of Kajima Europe Limited. The company also has interests in two properties in London's West End: (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, and (ii) a 70% interest in a leasehold office development at 103 Mount Street through 103 Mount Street Unit Trust, another Jersey-registered property unit trust.

Going concern

The company's principal sources 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 £37.9m (2009: £36.6m).

Although the company has net assets, the directors have received an undertaking from the company's parent company, Kajima Europe Limited, 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 and 6 on page 9, the company's turnover in 2009 is derived solely from asset management fees which have increased by 139%, and dividend income, which increased by 104% reflecting the company's first full year investment in 103 Mount Street. Overall, the company made a profit before and after tax of £1.28m (2009: loss £0.91m).

No dividend was paid in the year (2009: £nil) and the directors recommend that no final dividend be paid (2009: £nil).

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.

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 70% 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 5 July 2010, Mr N W M G Chism was appointed as a director. 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 auditors

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 auditors 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 auditors are 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

Auditors

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

21 June 2011

Kajima Properties (Europe) Limited

Statement of directors' responsibilities

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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 statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 annual report to identify 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 2010 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 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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



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

23 June 2011

Kajima Properties (Europe) Limited

Profit and loss account

Year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	2	227,524	95,300
Cost of sales		(75,613)	-
Gross profit		<u>151,911</u>	<u>95,300</u>
Administrative expenses		(687,110)	(614,416)
Operating loss	3	(535,199)	(519,116)
Interest receivable and similar income	4	36	13,982
Interest payable and similar charges	5	(322,811)	(153,494)
Other income	6	2,141,000	1,050,000
Loss on sale of investment property		-	(1,494)
Impairment of investment in subsidiary	8	-	(1,300,000)
Profit/(loss) on ordinary activities before taxation		<u>1,283,026</u>	<u>(910,122)</u>
Taxation	7	-	-
Profit/(loss) on ordinary activities after taxation retained for the year	12	<u><u>1,283,026</u></u>	<u><u>(910,122)</u></u>

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

The company had no other recognised gains or losses for the year. Accordingly, no statement of total recognised gains and losses is required.

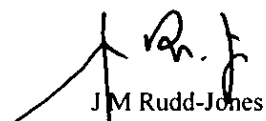
The notes on pages 8 to 12 form part of these financial statements

Kajima Properties (Europe) Limited

Balance sheet 31 December 2010

	Note	2010 £	2009 £
Fixed assets			
Fixed asset investments	8	55,813,722	56,009,722
Current assets			
Debtors	9	18,554,122	18,252,243
Cash at bank and in hand		65,762	39,505
		18,619,884	18,291,748
Creditors, amounts falling due within one year	10	(36,504,668)	(37,655,558)
Net current liabilities		(17,884,784)	(19,363,810)
Total assets less current liabilities		37,928,938	36,645,912
Net assets		37,928,938	36,645,912
Capital and reserves			
Called up share capital	11	30,615,823	30,615,823
Profit and loss account	12	7,313,115	6,030,089
Shareholder's funds	12	37,928,938	36,645,912

The financial statements of Kajima Properties (Europe) Limited, registered number 3162829, were approved by the Board of Directors on 21 June 2011 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 2010

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 described below and have been applied consistently throughout the current year and preceding years.

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 bases in preparing the annual report and accounts.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

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.

Investments

Fixed and current asset investments in company shares are stated at the lower of cost and net realisable value.

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 2010

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

	2010 £	2009 £
Property management fees	<u>227,524</u>	<u>95,300</u>

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

3. OPERATING LOSS

The audit fees of £2,000 (2009: £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 (2009: £nil).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Bank interest	36	97
Other interest	-	13,885
	<u>36</u>	<u>13,982</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

The interest payable was in respect of loans from the company's current ultimate UK parent, Kajima Europe Limited.

6. OTHER INCOME

Other income consists of dividends received from the following investments

	2010 £	2009 £
5 Savile Row Unit Trust	1,070,000	1,050,000
103 Mount Street Unit Trust	1,071,000	-
	<u>2,141,000</u>	<u>1,050,000</u>

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2010

7. TAXATION

(a) Tax credit on loss on ordinary activities

There is no corporation tax charge due to the availability of unused prior year tax losses

(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

	2010 £	2009 £
Profit/(loss) on ordinary activities before tax	1,283,026	(910,122)
(Profit)/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	(359,247)	254,834
<i>Effects of</i>		
Non-taxable loss	-	(418)
Expenses disallowed for tax purposes	(3,170)	(110,542)
Impairment provision disallowed for tax purposes	-	(364,000)
Short-term timing differences	56,522	(89,216)
Transfer pricing adjustment	(1,226)	(3,362)
Losses brought forward utilised against profits	307,121	488,783
Losses arising in the year carried forward	-	(176,079)
Current tax charge for the year	-	-

(c) Deferred taxation

No provision has been made for deferred tax assets of £1,100,307 (2009 £1,139,382) in respect of tax losses, £(312,344) (2009 £372,793) in respect of accelerated capital allowances and £5,127,565 (2009 £5,056,674) in respect of other short-term timing differences, as recoverability in the short term is uncertain

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No2) Act 2010 included legislation to reduce the mainstream rate of corporation tax from 28% to 27% from 1 April 2011. This has had no significant impact on the results for the period.

Additional changes were announced in the March 2011 Budget Statement to further reduce the mainstream rate of corporation tax to 26% from 1 April 2011 and thereafter by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

Kajima Properties (Europe) Limited

Notes to the financial statements Year ended 31 December 2010

8 FIXED ASSETS INVESTMENTS

	£
Cost	
At 1 January 2010	57,309,722
Capital distribution	(196,000)
	<u>57,113,722</u>
At 31 December 2010	
Provision for impairment	
At 1 January 2010 and 31 December 2010	(1,300,000)
	<u>55,813,722</u>
Net book value	
At 31 December 2010	
	<u>55,813,722</u>
At 31 December 2009	<u>56,009,722</u>

9. DEBTORS

	2010 £	2009 £
Trade debtors	75,722	-
Amount owed by parent undertaking	17,834,393	17,834,393
Other accrued income and debtors	644,007	417,850
	<u>18,554,122</u>	<u>18,252,243</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	33,063	121,628
Amount owed to parent undertaking	17,671,389	19,359,540
Amount owed to fellow subsidiaries	18,781,716	18,155,890
Accruals and deferred income	18,500	18,500
	<u>36,504,668</u>	<u>37,655,558</u>

The amounts due to fellow subsidiaries are all interest-free and repayable on demand

11. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted, called up and fully paid		
30,615,823 (2009 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 2010

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

	Share capital £	Profit and loss account £	Total £
At 1 January 2010	30,615,823	6,030,089	36,645,912
Profit for the year	-	1,283,026	1,283,026
At 31 December 2010	<u>30,615,823</u>	<u>7,313,115</u>	<u>37,928,938</u>

13. 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.