

Company Registration No. 3162829

Kajima Properties (Europe) Limited
(formerly Kajima London Wall Limited)

Report and Financial Statements

31 December 2008



Kajima Properties (Europe) Limited
(formerly Kajima London Wall Limited)

Report and financial statements 2008

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Kajima Properties (Europe) Limited
(formerly Kajima London Wall Limited)

Report and financial statements 2008

Officers and professional advisers

Directors

M Uchida
H Iizawa
A Yajima
J M Rudd-Jones

Secretary

D M Hedge

Registered office

Grove House
248a Marylebone Road
London NW1 6JZ

Auditors

Deloitte LLP
Chartered Accountants
London

Kajima Properties (Europe) Limited **(formerly Kajima London Wall Limited)**

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2008. This directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985.

Change of name

On 1 October 2008, the company changed its name from Kajima London Wall Limited to Kajima Properties (Europe) Limited.

Business review and principal activities

The company is a wholly-owned subsidiary of Kajima Estates Europe Limited to whom the company's shares were transferred from Kajima Property Holdings Limited on 1 July 2008.

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

The company is a limited partner investing in The London Wall Limited Partnership ("LWLP"), a limited partnership set up to develop office accommodation at No.1 London Wall in the City of London. The company's partners in this project are fellow-subsiidiary Kajima City Development Limited and two subsidiaries of Hammerson plc. In March 2008, the property was sold to a third party and the future of LWLP is currently under review.

In August 2008, the company acquired a 50% interest in a freehold office/retail development at No.5 Savile Row in London's West End for £20.877m. The company and its 50% partner, Nomura Real Estate UK Limited ("Nomura"), hold their respective investments through 5 Savile Row Unit Trust, a Jersey-registered unit trust.

In September 2008, the company purchased the 100% shareholding in Grove House UK Limited from a fellow-subsiidiary, Kajima Europe UK Holding Limited, for its net asset value of £13,256,622.

On 23 October 2008, the company and Nomura each subscribed for 500 £1 ordinary shares in a newly-formed company, Savile Row Trust Advisers Limited, for cash at par.

During the year the company sold all its holdings in listed property companies.

Going concern

Since the disposal of the freehold property at No.1 London Wall and its listed securities, the company's sole sources of income have been interest receivable on its loan to Kajima Europe B.V. and net rental income in the form of dividends from 5 Savile Row Unit Trust. As the leases of the business premises within the property at No.5 Savile Row have a number of years to run and the tenants are considered to be sound corporate entities, the risk of reduction in the dividends is considered to be insubstantial.

At the balance sheet date the company had net assets of £31.2m.

The company has received a letter of support from its ultimate parent company.

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.

Kajima Properties (Europe) Limited **(formerly Kajima London Wall Limited)**

Directors' report

Results and dividends

As can be seen from the profit and loss account on page 7, the company's turnover, consisting solely of rental income from No.1 London Wall, decreased by 75% and operating profit by 83% reflecting the sale of the property early in the year and the resulting cessation of this source of income. Dividends of £200,000 received from the Trustees of 5 Savile Row Unit Trust represent the start of a new source of property income.

Overall, the company's loss before and after tax was reduced from £2,619,221 in the previous year to £115,519 in the current year.

The directors recommend that no final dividend be paid (2007: £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 risk attributable to its dividend income from the freehold property at No.5 Savile Row 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) and 50% of No.5 Savile Row, London W1. As the valuations at which these assets are shown in the company's balance sheet reflect current or recent depressed conditions in the London property market, the directors do not consider the company to be exposed to any significant valuation risk.

Change in control

On 1 July 2008, the company's 10,000 £1 ordinary shares were transferred from its then parent, Kajima Property Holdings, to Kajima Estates (Europe) Limited.

Increase in share capital

On 13 August 2008, the company passed a resolution increasing the authorised share capital to £13,215,823 by the creation of an additional 13,205,823 ordinary shares of £1 each. On the same day, 13,205,823 shares were allotted to Kajima Estates (Europe) Limited for cash at par.

On 24 September 2008, the company passed a resolution increasing the authorised share capital to £24,215,823 by the creation of an additional 11,000,000 ordinary shares of £1 each. On the same day, 11,000,000 shares were allotted to Kajima Estates (Europe) Limited for cash at par.

Kajima Properties (Europe) Limited
(formerly Kajima London Wall Limited)

Directors' report (continued)

Directors and their interests

The current directors of the company are shown on page 1. On 30 September 2008, Mr A Yajima was appointed as a director. Mr H Ichiki resigned as director on 30 June 2009 and on the same day Mr H Iizawa was appointed as director.

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

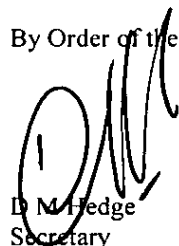
Each of the directors at the date of approval of this report confirms that:

- 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 234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



D M Hedge
Secretary

21 September 2009

Kajima Properties (Europe) Limited **(formerly Kajima London Wall Limited)**

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Kajima Properties (Europe) Limited (formerly Kajima London Wall Limited)

We have audited the financial statements of Kajima Properties (Europe) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Accounting Standards (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information contained in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

22 September 2009

Kajima Properties (Europe) Limited
(formerly Kajima London Wall Limited)

Profit and loss account
Year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	560,691	2,242,763
Cost of sales		(95,183)	(338,295)
Gross profit		465,508	1,904,468
Administrative expenses		(167,651)	(105,810)
Operating profit	3	297,857	1,798,658
Interest receivable and similar income	4	164,402	14,563
Interest payable and similar charges	5	(1,141,519)	(4,432,640)
Dividends received	6	200,208	198
Loss on sale of listed securities		(714)	-
Profit on sale of investment property	7	364,247	-
Loss on ordinary activities before taxation		(115,519)	(2,619,221)
Taxation	8	-	-
Loss on ordinary activities after taxation retained for the year	14	(115,519)	(2,619,221)

All results are derived from continuing operations.

Statement of total recognised gains and losses
Year ended 31 December 2008

	2008 £	2007 £
Loss attributable to shareholders	(115,519)	(2,619,221)
Unrealised deficit on revaluation of investment in joint venture partnership	-	(6,075,673)
Total recognised losses for the year	(115,519)	(8,694,894)

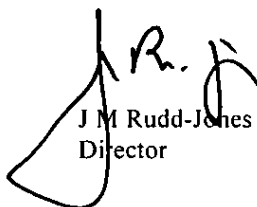
Kajima Properties (Europe) Limited
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Balance sheet
31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Share of investment property	9	34,134,122	66,211,013
Current assets			
Investments	10	-	6,255
Debtors	11	18,194,028	1,147,784
Cash at bank and in hand		39,713	749,129
		18,233,741	1,903,168
Creditors: amounts falling due within one year	12	(21,211,829)	(61,048,451)
Net current liabilities		(2,978,088)	(59,145,283)
Total assets less current liabilities		31,156,034	7,065,730
Net assets		31,156,034	7,065,730
Capital and reserves			
Called up share capital	13	24,215,823	10,000
Revaluation reserve	14	-	19,999,676
Profit and loss account	14	6,940,211	(12,943,946)
Shareholder's funds	14	31,156,034	7,065,730

These financial statements were approved by the Board of Directors on 21 September 2009.

Signed on behalf of the Board of Directors


J M Rudd-Jones
Director

Kajima Properties (Europe) Limited

(Kajima London Wall Limited)

Notes to the financial statements

Year ended 31 December 2008

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.228 (2) Companies Act 1985 as it is itself a subsidiary undertaking of an EU parent and is included in the parent's consolidated accounts. The former and current parent companies, Kajima Europe Limited and Kajima Europe UK Holding Limited, both of which are incorporated in Great Britain, produce consolidated financial statements. Accordingly, 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.

Investment properties

Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to or from a revaluation reserve except where a deficit is deemed to represent a permanent impairment in the value of the property, in which event it is charged to the profit and loss account; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and long leasehold investment properties.

Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. If this departure from the Act had not been made, the loss for the financial year would have been increased by depreciation. Depreciation (or amortisation) is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

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

Kajima Properties (Europe) Limited

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Notes to the financial statements

Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

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 UK Holding 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.

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

Turnover represents the company's share of rents and service charges receivable from lettings of premises at No.1 London Wall, net of value added tax, and is wholly derived from activities carried out in the United Kingdom. Revenue is recognised on the normal accruals basis.

3. OPERATING PROFIT

The audit fees of £2,000 (2007: £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 (2007: £nil).

4. INTEREST RECEIVABLE

	2008	2007
	£	£
Bank interest	22,281	14,546
Group interest	140,953	17
Other interest	1,168	-
	164,402	14,563

Group interest receivable was in respect of a loan to the company's fellow-subsubsidiary Kajima Europe B.V. ("KEBV") registered in the Netherlands.

Kajima Properties (Europe) Limited
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Notes to the financial statements
Year ended 31 December 2008

5. INTEREST PAYABLE

The interest payable was in respect of a loan from the company's current ultimate UK parent, Kajima Europe Limited (2008 only), its former ultimate UK parent, Kajima Europe UK Holding Limited, and KEBV.

6. DIVIDENDS RECEIVABLE

5 Savile Row Unit Trust	200,000	-
Listed securities	208	198
	<u>200,208</u>	<u>198</u>

7. PROFIT ON SALE OF INVESTMENT PROPERTY

The profit on sale of investment property represents the company's share of the capital gain arising on sale of by The London Wall Limited Partnership of the freehold property at No.1, London Wall.

8. TAXATION

(a) Tax credit on loss on ordinary activities

There is no corporation tax credit due to the incidence of tax losses in the year.

(b) Factors affecting taxation for the year

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

	2008 £	2007 £
Loss on ordinary activities before tax	<u>(115,519)</u>	<u>(2,619,221)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5%* (2007: 30%)	32,923	785,766
<i>Effects of:</i>		
Non-taxable income	59	59
Non-taxable capital gain	103,607	-
Expenses disallowed for tax purposes	(111,739)	-
Capital allowances in excess of depreciation	-	378,920
Other short-term timing differences	(230,164)	(1,718,277)
Transfer pricing adjustment	24,148	147,088
Losses brought forward utilised against profits	253,210	580,906
Losses arising in the year carried forward	<u>(72,044)</u>	<u>(174,462)</u>
Current tax credit for the year	<u>-</u>	<u>-</u>

*Blended rate for 2008

(c) Deferred taxation

No provision has been made for deferred tax assets of £1,452,069 (2007: £1,372,809) in respect of tax losses and £5,145,534 (2007: £5,304,545) in respect of other short-term timing differences, as recoverability in the short term is uncertain.

Kajima Properties (Europe) Limited
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Notes to the financial statements
Year ended 31 December 2008

9. FIXED ASSET INVESTMENTS

	Share of subsidiaries/ associates £	Fixed asset investments £	Total £
At 1 January 2008	-	66,211,013	66,211,013
Acquisitions	34,134,122	(11,092)	34,123,030
Rent-free adjustment	-	(96,256)	(96,256)
	<u>34,134,122</u>	<u>66,103,665</u>	<u>100,237,787</u>
Disposal	-	(66,103,665)	(66,103,665)
At 31 December 2008	<u>34,134,122</u>	<u>-</u>	<u>34,134,122</u>
Acquisitions comprise:			
2,800,000 £1 ordinary shares in Grove House UK Limited			13,256,622
20,877 units in 5 Savile Row Unit Trust			20,877,000
500 £1 ordinary shares in Savile Row Trust Advisers Limited			500
			<u>34,134,122</u>

Further details of these acquisitions are given in Note 1.

The disposal was in respect of the long leasehold property at No.1 London Wall in the City of London sold during the year by The London Wall Limited Partnership, in which the company retains its 49.5% interest.

10. CURRENT ASSET INVESTMENTS

	2008 £	2007 £
Investments in listed securities	<u>-</u>	<u>6,255</u>

11. DEBTORS

	2008 £	2007 £
Trade debtors	-	643,856
Amount owed by parent undertaking	17,834,393	-
Amount owed by fellow-subsiidiary undertakings	315,942	418,763
Other debtors	43,693	85,165
	<u>18,194,028</u>	<u>1,147,784</u>

Kajima Properties (Europe) Limited
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Notes to the financial statements
Year ended 31 December 2008

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	-	1,303,277
Loan from European fellow subsidiary (unsecured)	-	42,043,344
Amount owed to parent undertaking	2,977,229	17,585,057
Amount owed to fellow subsidiaries	18,234,600	-
Accruals and deferred income	-	116,773
	<u>21,211,829</u>	<u>61,048,451</u>

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

13. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised, allotted, called up and fully paid		
24,215,823 (2007: 10,000) ordinary shares of £1 each	<u>24,215,823</u>	<u>10,000</u>

On 1 July 2008, the company's 10,000 £1 ordinary shares were transferred from its then parent, Kajima Property Holdings Limited, to Kajima Estates (Europe) Limited.

On 13 August 2008, the company passed a resolution increasing the authorised share capital to £13,715,823 by the creation of an additional 13,205,823 ordinary shares of £1 each. On the same day, 13,205,823 shares were allotted to Kajima Estates (Europe) Limited for cash at par.

On 24 September 2008, the company passed a resolution increasing the authorised share capital to £24,215,823 by the creation of an additional 11,000,000 ordinary shares of £1 each. On the same day, 11,000,000 shares were allotted to Kajima Estates (Europe) Limited for cash at par.

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

	Share capital £	Re- valuation reserve £	Profit and loss account £	Total £
At 1 January 2008	10,000	19,999,676	(12,943,946)	7,065,730
Loss for the year	-	-	(115,519)	(115,519)
Issues of shares	24,205,823	-	-	24,205,823
Revaluation reserve transferred	-	(19,999,676)	19,999,676	-
At 31 December 2008	<u>24,215,823</u>	<u>-</u>	<u>6,940,211</u>	<u>31,156,034</u>

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Notes to the financial statements
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15. ACQUISITION OF BUSINESSES

On 30 September 2008 the company purchased 100% of the ordinary share capital of Grove House UK Limited from fellow-subsiidiary Kajima Europe UK Holding Limited. The consideration was £13,256,622 in cash representing the fair value of the net assets, no goodwill arising on this acquisition.

The 5 Savile Row Trust, a Jersey-registered unit trust, was set up in July 2008 as a 50:50 joint venture with Nomura Real Estate Limited ("Nomura") to purchase the freehold interest in an office/retail development at No.5 Savile Row in London's West End. The company acquired 20,877 units for a consideration of £20,877,000.

On 23 October 2008, the company and Nomura each subscribed for 500 £1 ordinary shares in Savile Row Trust Advisors Limited, the consideration being cash at par.

16. 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 1-2-7 Moto-Akasaka, Minato-Ku, Tokyo.

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.