

KAJIMA PROPERTIES (EUROPE) LIMITED

**ANNUAL REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2021**



KAJIMA PROPERTIES (EUROPE) LIMITED

COMPANY INFORMATION

Directors	H Ichiki J M Rudd-Jones N W M G Chism H Takei J B Harcourt H Saji R S M Clancy (appointed 15 June 2022) D L Bumpstead (appointed 15 June 2022)
Company secretaries	D M Hedge J Cheadle
Registered number	03162829
Registered office	10 St. Giles Square London United Kingdom WC2H 8AP
Independent auditor	Deloitte LLP Statutory Auditor London United Kingdom
Bankers	SMBC Bank International plc

KAJIMA PROPERTIES (EUROPE) LIMITED

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KAJIMA PROPERTIES (EUROPE) LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

The directors present their strategic report for the company for the year ended 31 December 2021.

The company's performance was in line with the forecast for the financial year.

The company continues to hold 50% of the units in Moorgate Unit Trust ("MUT"), a Jersey-registered property unit trust, which owns the freehold of 77 Coleman Street, an office development in London, EC2. Practical completion was achieved in June 2020 and to date five of the eight floors have been let. At 31 December 2021, the property was valued by an independent RICS registered valuer at £100.5m (2020: £98.0m).

The company continues to hold 50% of the units in Grove House Unit Trust: ("GHUT"), a Jersey registered property unit trust, which owns the freehold of The Grove, a fully let office development in London, NW1. At 31 December 2021, the property was valued by an independent RICS registered valuer at £29.0m (2020: £28.1m).

On 21 December 2020, the Managing Trustees of both GHUT and MUT entered into a Term Facility Arrangement with Sumitomo Mitsui Trust Bank Limited ("SMTB") for a loan facility of £76.2m. Interest was charged at the margin of 1.45% plus LIBOR during the reporting period and is payable quarterly each year. On 19 November 2021, an amendment and restatement agreement relating to the Facility Agreement was signed by the Managing Trustees, Unitholders and Lender. The updated agreement uses the margin of 1.60% plus SONIA (sterling overnight index average) to calculate interest on the loan, this was effective from 20 January 2022. The loan is repayable in full on 22 December 2025 (i.e., on the fifth anniversary of the utilisation date).

The company continues to hold 50% of the units in Berners Street Unit Trust ("BSUT"), a Jersey registered property unit trust, which owns the freehold of Orwell House, an office development in London, W1. On 26 January 2021, a subscription of 20,538,342 £1 units was made to fund 99% of the final purchase price for the property. On 11 May 2021, the company disposed of 49% of its unit holding for £11.7m to a third party. At 31 December 2021, the property was valued by an independent RICS registered valuer at £24.1m (2020: £22.0m).

The company continues to hold a 50% interest in Genr8 Rochdale Limited ("Genr8"), a UK registered company which developed a new shopping centre for Rochdale Borough Council. Practical completion of the shopping centre was achieved in April 2020. Genr8 is providing development management services during phase two of the development, which comprises two build to rent units, a hotel and offices.

The company continues to hold a 25% interest in PDC Industrial Centre 79 S.P. z.o.o., a Polish registered company which owns a logistics unit in Lodz, Poland. At 31 December 2021, the property was valued by an independent RICS registered valuer at €108.45m (2020: €103.2m). The company provides advisor services to Savills Investment Management LLP (SIM), the asset manager.

The company holds a 25% interest in LU GE XXIII, a Luxembourg registered company which owns a logistics unit in Kalttenkirchen, Germany. At 31 December 2021, the property was valued by an independent RICS registered valuer at €55.3m (€49.4m at 31 October 2020). The company provides advisor services to SIM, the asset manager.

KAJIMA PROPERTIES (EUROPE) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Acquisitions and disposals

On 26 January 2021, Berners Street Unit Trust completed the purchase of Orwell House, London and on 11 May 2021 the company disposed of 49% of its interest in Berners Street Unit Trust for a total consideration of £11.5m. The company continues to hold 50% of the remaining units of the trust.

On 17 May 2021 the company disposed of its £1 investment in Grove House Trust Advisers Limited.

On 26 March 2021, the company disposed of 50% of its investment in Kaltenkirchen LU GE XXIII for a total consideration of €4,973.2k, retaining a 25% share with a new shareholder loan of €436.1k. On 14 September 2021 a further €128k retention was received and on 04 October 2021 a final true up sum of €3k.

On 05 June 2021, the company transferred its £1,327 (€1,500) ordinary share capital in PDC IC1 SP – Torija (Madrid East) to PDC IC 9 Spanish Hold Co at nil value.

On 17 June 2021, the company disposed of its investment in Wroclaw IC119 for a total consideration of €8,863.4k. Final proceeds of €765.7k were settled on 19 November 2021.

On 20 December 2021, PDC IC9 Spanish Hold Co disposed of its investment in Amazon Cadiz IC4SP and Amazon Zaragoza IC5SP, with the company receiving a total dividend of €2.61m.

On 29 December 2021, the company disposed of its investment in Amazon Berlin IC142 for a total consideration of €8.8m.

On 17 March 2021, the company acquired 50% of the ordinary share capital in IC 161 Gorlitz for a consideration of £1,446 (€1,687). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 07 April 2021, the company acquired 50% of the ordinary share capital in PDC 167 Knorr for a consideration of £1,187 (€1,687). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 09 April 2021, the company acquired 50% of the ordinary share capital in Rorohiko Spolka for a consideration of £477 (PLN 2,500). The investment is a 50:50 joint venture with Tonsa S.A SICAF RAIF.

On 09 April 2021, the company acquired 50% of the ordinary share capital in Viviaprojectone for a consideration of £477 (PLN 2,500). The investment is a 50:50 joint venture with Tonsa S.A SICAF RAIF.

On 27 May 2021, the company acquired 50% of the ordinary share capital in PDC IC 166 Rzeszow for a consideration of £1,511 (€1,758). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 13 June 2021, the company acquired 50% of the ordinary share capital in PDC IC 170 Amazon Poland South for a consideration of £1,457 (€1,672.50). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 21 June 2021, the company acquired 50% of the ordinary share capital in LU GE 61 SARL Park Dortmund South for a consideration of £5,131 (€6,000). The investment is a 50:50 joint venture with Panattoni Germany Holding Sarl.

On 27 October 2021, the company acquired 50% of the ordinary share capital in PDC IC 232 Glogow for a consideration of £1,873 (PLN5,000). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 06 December 2021, the company acquired 50% of the ordinary share capital in PDC IC FR III Orleans for a consideration of £4,261 (€5,000). The investment is a 50:50 joint venture with Panattoni France Holding Sarl.

On 14 December 2021, the company acquired 50% of the ordinary share capital in PDC IC 224 Zalando for a consideration of £1,518 (PLN 2,500). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 14 December 2021, the company acquired 50% of the ordinary share capital in LU GE 68 Heerlen for a consideration of £5,106 (€6,000). The investment is a 50:50 joint venture with Panattoni Dutch Holdings Sarl.

KAJIMA PROPERTIES (EUROPE) LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Results and dividends

As shown in the statement of comprehensive income on page 13, the company's turnover is derived solely from management fees for GHUT, MUT, Genr8 and Savills Investment Management LLP ("SIM"). In addition, the company has received dividends from GHUT £313k (2020: £1,188k), Grove House Trust Advisors Limited ("GHTAL") £47k (2020: nil), PDC IC 4 Cadiz £1,100k (2020: £nil) and PDC IC 5 Zaragoza £1,100k (2020: £nil). Overall the company made a profit after tax of £30.2m (2020: £20.2m).

Dividends of £20,000,000 were paid in the year (2020: £5,000,000) and the directors recommend that no final dividend be paid (2020: £nil).

Financial position

The statement of financial position on page 14 shows that the company had net assets of £145.8m (2020: £130.5m) at the year-end, an increase of £15.3m. £5m of this is attributable to the revaluation reserves and £10m attributable to the profit in the year (net of dividends) which is mainly due to the interest received from subsidiaries and profits from the disposal of investments.

Future developments

The directors are continuing to seek opportunities to invest in the property markets of the UK and continental Europe, whilst assessing the impact of Covid-19 and geo-political events in Ukraine on any future developments.

On 20 January 2022, the company subscribed for 4,000,000 £1 units in Warehouse K Unit Trust ("WKUT"), representing 50% of the opening subscription in the Trust. In addition, KPE provided a unit holder loan of £12,000,000 at an interest rate 0.00%. At purchase, the property was valued by an independent RICS registered valuer at £45.0m.

Going concern

The company had net current assets of £14.0m (2020: £79.7m) at the balance sheet date and had net assets of £145.8m (2020: £130.5m). The decrease in net current assets is mostly due to realisation of accrued income, the investment in BSUT and the payment of a dividend. In addition, the company's principal source of income consists of management fees from GHUT, MUT BSUT and SIM, and dividends from GHUT, whose tenants are sound corporate entities, so that the risk of reduction in these dividends is considered to be insubstantial. Moreover, the company, via its unit holdings, has an equity interest in 50% of the freehold of The Grove, 50% of the freehold of 77 Coleman Street and 50% of the freehold of Orwell House, and may have the option to call upon funds from its parent company to cover costs (via additional units) and the temporary suspension of dividends.

In making this assessment the Directors have considered the ongoing impact of the Covid-19 pandemic.

To date, the Covid-19 pandemic has not resulted in any adverse impact on the company's investments. In making their assessment, the Directors have tested various stress scenarios which show that the investments do not require any further impairment and that the company can continue to meet Group interest payments and other liabilities as they fall due.

Over the course of the pandemic proactive engagement with tenants has minimised portfolio cashflow disruption in the Workspace portfolio, and distributions have not been affected. Vacant space has been reduced, and the remaining vacant space is expected to secure tenants now most companies are returning to offices. Redevelopment of BSUT will cause a decrease in investment income for 2022, however this is factored into the business plan. It is also mitigated by the acquisition of a fully income producing asset at the start of 2022.

The logistics sector, to which KPE is primarily exposed, remains resilient and is not expected to face material downward pressure in 2022. Whilst geo-political events in Ukraine have inevitably resulted in increased focus on assets in, particularly, Poland, the underlying market fundamentals remain robust, and we have seen no indication of material reduction in liquidity.

KAJIMA PROPERTIES (EUROPE) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern (continued)

In the short term there is likely to continue to be supply constraints on building materials and labour supply in some markets, putting pressure on build costs, however existing investments have been underwritten with sufficient contingency and new assets are underwritten with this taken into account and so we do not consider these will have a material impact on profitability.

Although there is some indication of inflationary pressure visible, longer term interest rates remain negative in Europe and low in the UK.

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 financial statements.

Key performance indicators

The key performance indicators of the company have been discussed in the 'Results and dividends' section (above).

Principal risks and uncertainties

The board of directors hold regular board meetings to review the reports prepared by the heads of department. The company directors regularly review income and expenditure in comparison with the annual budget and five year business plan which are, in turn, updated to reflect actual performance.

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 both to its dividend income from The Grove and PDC Industrial Centre 9 and to the financing of redevelopment costs 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. The facility mitigates the liquidity risk therefore the directors do not consider there to be a significant liquidity risk.

Valuation risk

The company's principal underlying assets are 50% each of the freeholds of The Grove, London NW1, 77 Coleman Street, London EC2, Orwell House, London, W1T, and 25% of the freeholds in Panattoni Park Łódź East VII, ul: Jedrzejowska 43 (Smyk) Jedrzejowska 45 (Media Expert), Łódź, Poland and Amazon Kaltenkirchen, Kirchenweg 2, 24568 Kaltenkirchen, Germany. As the valuations at which these assets are shown in the company's balance sheet reflect current or recent market values, the directors do not consider the company to be exposed to any significant valuation risk.

KAJIMA PROPERTIES (EUROPE) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act

The board of directors of Kajima Properties (Europe) Limited considers both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its member. In the decisions taken during the year ended 31 December 2021 the board has undertaken the following:

- Our 5 year business plan was designed to have a long term beneficial impact on the company and to contribute to its success in delivering a better quality service and product for customers in our development and investment businesses in the UK and Europe. We will continue to operate our businesses within tight budgetary controls and in line with regulatory targets
- Our employees are fundamental to our operations. We aim to be a responsible employer in our approach to the pay and benefits our employee receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.
- Our duty, in accordance with relevant regulatory legislation, is to provide a safe and secure service and product. This was achieved by extensive engagement with customers, enabling us to gain an understanding of their views and priorities. We aim to act responsibly and fairly in how we engage our suppliers, our credit providers and co-operate with our regulators.
- Our plan took into account the impact of the company's operations on the community and the environment and our wider responsibility to society, and how we impact the regions we operate.
- As the Board of Directors, our intention is to behave responsibly and ensure that management operate the businesses in a responsible manner, operating within the high standards of business conduct and good governance and will contribute to the delivery of our business plan. The intention is to nurture our reputation that reflects our responsible behaviour.
- As the Board of Directors, our intention is to behave responsibly towards our shareholder and treat our shareholder fairly and equally, so that our shareholder may benefit from the successful delivery of our business plan. The shareholder is regularly engaged through quarterly board meetings where forecasts and performance of the investments are reviewed and approved by the shareholder.

This report was approved by the board and signed on its behalf.



D M Hedge
Secretary

Date: 08 July 2022

KAJIMA PROPERTIES (EUROPE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the Financial Statements for the year ended 31 December 2021.

The strategic report on pages 1 to 5 includes information on the following matters that would otherwise be required to be presented in the directors' report; future developments, dividends, going concern and financial risk management.

Principal activity

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.

Although the company has made various acquisitions and disposals (see Strategic Report), there have been no significant changes in its 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.

Directors

The directors who served during the year and up to the date of approval of these financial statements were:

H Ichiki
J M Rudd-Jones
N W M G Chism
H Takei
J B Harcourt
H Saji
R S M Clancy (appointed 15 June 2022)
D L Bumpstead (appointed 15 June 2022)

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.

Creditor payment policy

The company's policy is to agree payment terms with its suppliers when goods and services are ordered.

Employees

The company's policy is to communicate with employees on matters affecting their interests at work and to inform them of the performance of the business. The group's policy is to treat all employees equally and to give full consideration to suitable applications for employment by disabled persons, having regard to the necessary abilities and skills for the position and, wherever possible, to retrain employees who become disabled so that they can continue their employment in another position.

KAJIMA PROPERTIES (EUROPE) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be 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 auditor in accordance with the Companies Act.

This report was approved by the board and signed on its behalf.



D M Hedge
Secretary

Date: 08 July 2022

KAJIMA PROPERTIES (EUROPE) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 judgments and accounting 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;
- 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 to enable them 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.

KAJIMA PROPERTIES (EUROPE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA PROPERTIES (EUROPE) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kajima Properties (Europe) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

KAJIMA PROPERTIES (EUROPE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA PROPERTIES (EUROPE) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

KAJIMA PROPERTIES (EUROPE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA PROPERTIES (EUROPE) LIMITED (CONTINUED)

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- The accuracy of calculation of the profit on disposal was identified as the significant risk. In response to this we have agreed the sale and pricing methodology to the contract terms, reviewed the supporting calculations and traced the proceeds to bank statements. We have recalculated KPE's share of the profit on disposal to ensure the calculations are accurate. In addition we have assessed the design and implementation of key controls over the process of disposal.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

KAJIMA PROPERTIES (EUROPE) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAJIMA PROPERTIES (EUROPE) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of this report

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.



James Wright FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 July 2022

KAJIMA PROPERTIES (EUROPE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	939,753	918,149
Cost of sales		-	(6,332)
Gross profit		<u>939,753</u>	<u>911,817</u>
Administrative expenses		(6,944,459)	(1,053,873)
Operating loss	5	<u>(6,004,706)</u>	<u>(142,056)</u>
Interest receivable and similar income	8	12,102,662	8,585,306
Income from fixed assets investments	8	2,558,780	3,414,000
Profit on disposal of investments	8	26,155,250	10,368,570
Interest payable and similar expenses	9	(241,466)	(182,950)
Profit before tax		<u>34,570,520</u>	<u>22,042,870</u>
Tax on profit	10	(4,420,089)	(1,858,445)
Profit for the financial year		<u><u>30,150,431</u></u>	<u><u>20,184,425</u></u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Unrealised surplus on revaluation of tangible fixed assets	12	5,101,702	7,268,099
Total comprehensive income for the year		<u><u>35,252,133</u></u>	<u><u>27,452,524</u></u>

The notes on pages 16 to 32 form part of these financial statements.


All results are derived from continuing operations.

KAJIMA PROPERTIES (EUROPE) LIMITED
REGISTERED NUMBER: 03162829

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Non-current assets			
Tangible fixed assets	11	7,164	1,509
Fixed asset investments	12	52,717,346	38,140,574
Debtors: amounts falling due after more than one year	13	151,483,601	142,500,445
		<u>204,208,111</u>	<u>180,642,528</u>
Current assets			
Debtors: amounts falling due within one year	13	37,188,273	100,910,197
Cash at bank and in hand	14	117,340	124,978
		<u>37,305,613</u>	<u>101,035,175</u>
Creditors: amounts falling due within one year	15	(23,286,184)	(21,349,738)
Net current assets		<u>14,019,429</u>	<u>79,685,437</u>
Total assets less current liabilities		<u>218,227,540</u>	<u>260,327,965</u>
Creditors: amounts falling due after more than one year	16	(72,458,291)	129,810,849
Net assets		<u><u>145,769,249</u></u>	<u><u>130,517,116</u></u>
Capital and reserves			
Called up share capital	17	30,615,823	30,615,823
Revaluation reserve	18	19,113,112	14,011,410
Retained earnings	18	96,040,314	85,889,883
Shareholder's funds		<u><u>145,769,249</u></u>	<u><u>130,517,116</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


N W M G Chism
 Director

Date: 08 July 2022

The notes on pages 16 to 32 form part of these financial statements.

KAJIMA PROPERTIES (EUROPE) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2020	30,615,823	13,351,756	64,097,013	108,064,592
Comprehensive income for the year				
Profit for the year	-	-	20,184,425	20,184,425
Transfer from revaluation reserve	-	-	6,608,445	6,608,445
Surplus on revaluation of other fixed assets	-	7,268,099	-	7,268,099
Dividends: Equity capital	-	-	(5,000,000)	(5,000,000)
Transfer to profit and loss account	-	(6,608,445)	-	(6,608,445)
At 31 December 2020	<u>30,615,823</u>	<u>14,011,410</u>	<u>85,889,883</u>	<u>130,517,116</u>
Comprehensive income for the year				
Profit for the year	-	-	30,150,431	30,150,431
Surplus on revaluation of fixed asset investment	-	5,101,702	-	5,101,702
Dividends: Equity capital	-	-	(20,000,000)	(20,000,000)
At 31 December 2021	<u><u>30,615,823</u></u>	<u><u>19,113,112</u></u>	<u><u>96,040,314</u></u>	<u><u>145,769,249</u></u>

The notes on pages 16 to 32 form part of these financial statements.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Kajima Properties (Europe) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales, registered number 03162829. The address of the registered office and principal place of business is 10 St. Giles Square, London, WC2H 8AP. The nature of the company's operations and its principal activities are set out in the business review on page 1. Details of the company's immediate and ultimate parent undertakings are provided in Note 21.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Frameworks'.

These financial statements have been prepared in £ sterling which is the functional currency of the company and rounded to the nearest pound.

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 21.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, 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 21.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.2 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 strategic report on pages 1 to 6.

The company had net current assets of £14.0m (2020: £79.7m) at the balance sheet date and had net assets of £145.8m (2020: £130.5m). The decrease in net current assets is mostly due to realisation of accrued income, the investment in BSUT and the payment of a dividend. In addition, the company's principal source of income consists of management fees from GHUT, MUT BSUT and SIM, and dividends from GHUT, whose tenants are sound corporate entities, so that the risk of reduction in these dividends is considered to be insubstantial. Moreover, the company, via its unit holdings, has an equity interest in 50% of the freehold of The Grove, 50% of the freehold of 77 Coleman Street and 50% of the freehold of Orwell House, and may have the option to call upon funds from its parent company to cover costs (via additional units) and the temporary suspension of dividends.

In making this assessment the Directors have considered the ongoing impact of the Covid-19 pandemic.

To date, the Covid-19 pandemic has not resulted in any adverse impact on the company's investments. In making their assessment, the Directors have tested various stress scenarios which show that the investments do not require any further impairment and that the company can continue to meet Group interest payments and other liabilities as they fall due.

Over the course of the pandemic proactive engagement with tenants has minimised portfolio cashflow disruption in the Workspace portfolio, and distributions have not been affected. Vacant space has been reduced, and the remaining vacant space is expected to secure tenants now most companies are returning to offices. Redevelopment of BSUT will cause a decrease in investment income for 2022, however this is factored into the business plan. It is also mitigated by the acquisition of a fully income producing asset at the start of the year.

The logistics sector, to which KPE is primarily exposed, remains resilient and is not expected to face material downward pressure in 2022. Whilst geo-political events in Ukraine have inevitably resulted in increased focus on assets in, particularly, Poland, the underlying market fundamentals remain robust, and we have seen no indication of material reduction in liquidity.

In the short term there is likely to continue to be supply constraints on building materials and labour supply in some markets, putting pressure on build costs, however existing investments have been underwritten with sufficient contingency and new assets are underwritten with this taken into account and so we do not consider these will have a material impact on profitability.

Although there is some indication of inflationary pressure visible, longer term interest rates remain negative in Europe and low in the UK.

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 financial statements.

2.3 New and amended IFRS Standards that are effective for the current year.

There are no new or amended IFRS standards effective during the current period that have had, or are likely to have, a material impact on the company.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 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.

Revenue is recognised in line with the 5 step model outlined in IFRS 15.

There has been no variation between the cash value and the fair value of the consideration received.

2.5 Dividend and interest 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.

2.6 Fixed asset investments

Fixed asset investments in company shares and unit trust units held for investment purposes are stated at a valuation basis reflecting the current market value of the assets held by those entities. The company's policy on impairment is to amend the value of its investment to the net asset value of the applicable investment.

Other investments are held at cost less impairment.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment	-	33%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 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.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.9 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The loans due to the company are recognised on issue at par, any associated costs being written off to the profit and loss account.

The entity always recognises lifetime ECL (expected credit losses) for financial assets. The expected credit losses on these financial assets are estimated using the entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where assets are assessed to be impaired, provisions are made on an ad hoc basis, the carrying values being adjusted and the profit and loss account debited accordingly.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are recognised at amortised cost, using the effective interest method. All the company's subordinated loans are for predetermined periods and have fixed coupons on the basis of which interest income is accrued.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Employee benefits

The company offers a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Operating loss

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

2.11 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.

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

KAJIMA PROPERTIES (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgments in applying accounting policies 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, including any impacts as a result of Covid-19. 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

In the view of the directors there are no key judgements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

4. Turnover

	2021 £	2020 £
Property management fees	939,753	918,149

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2021 £	As restated 2020 £
Depreciation of tangible fixed assets	4,647	1,213
Audit fees relating to the audit of the financial statements of the company	70,161	70,161

6. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Average number of employees	11	7

KAJIMA PROPERTIES (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees and directors' emoluments

	2021 £	2020 £
Directors' remuneration:		
Emoluments	478,865	327,757
Pension contributions	24,000	18,500
	<u>502,865</u>	<u>346,257</u>
Highest paid director:		
Emoluments	478,865	327,757
Pension contributions	24,000	18,500
	<u>502,865</u>	<u>346,257</u>
Employee costs (including directors) during the year:		
Wages and salaries	1,796,423	867,259
Social security costs	245,656	112,699
Other pension costs	169,050	91,731
	<u>2,211,129</u>	<u>1,071,689</u>

All pension contributions are to defined contribution plans.

No directors are members of a defined benefit scheme.

The highest paid director did not receive any share options or shares under long-term incentives during the year.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Investment revenues

	2021 £	2020 £
Interest receivable from:		
Bank	-	77
Ultimate UK parent undertaking	84,112	52,457
Joint venture undertakings	12,018,550	8,532,772
	<u>12,102,662</u>	<u>8,585,306</u>
Dividends receivable from investments:		
Grove House Unit Trust	312,685	1,188,000
Grove House Trust Advisers Limited	47,206	-
Genr8 (Rochdale) Limited	-	2,226,000
PDC Industrial Center 9 Sp. S.L.	2,198,889	-
	<u>2,558,780</u>	<u>3,414,000</u>
Profit on disposal of investments		
50% investment in PDC Industrial Center 127 Sp.z.o.o.	-	1,112
50% investment in PDC Industrial Center 79 Sp.z.o.o.	13,166	4,364,428
Post completion costs in Industrial Center 32 Sp.z.o.o.	-	(967,773)
49% investment in Grove House Unit Trust	(8,810)	(1,332,703)
22,922,636 unit redemption in Moorgate Unit Trust	-	2,677,364
50% investment in Industrial Center 33 Sp.z.o.o.	(391,119)	1,317,021
50% investment in PDC Industrial Center 114 Sp.z.o.o.	(408,676)	4,309,121
50% investment in LU GE XXIII S.A.r.l	4,122,384	
50% investment in PDC Industrial Center 119 Sp. z.o.o.	8,229,615	
50% investment in PDC Industrial Center 142 Sp. z.o.o.	14,598,690	
	<u>26,155,250</u>	<u>10,368,570</u>

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.

9. Interest payable and similar expenses

	2021 £	2020 £
Interest payable on loan from ultimate UK parent undertaking	<u>241,466</u>	<u>182,950</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	4,420,089	1,858,445
Total current tax	<u>4,420,089</u>	<u>1,858,445</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	<u>34,570,520</u>	<u>22,042,870</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	6,568,399	4,188,145
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	57,998	2,144
Capital allowances for year in excess of depreciation	(128,614)	(337,520)
Utilisation of tax losses	1,674	(858,282)
Prior year adjustment	-	2,024
Over/(under) distribution of profits in unit trusts	56,101	(68,952)
Dividend income not taxable	(417,789)	(422,940)
Overseas tax charge	4,420,089	1,612,688
Exempt gain on disposal of subsidiary	-	(428,718)
WHT	-	243,733
Capital losses previously unrecognised	(756,094)	-
Double taxation relief	(4,224,047)	-
Group relief	(1,158,053)	-
Marginal relief for nil consideration	-	(2,074,397)
Transfer pricing adjustments	425	520
Total tax charge for the year	<u>4,420,089</u>	<u>1,858,445</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Taxation (continued)

Factors that may affect future tax charges

A potential net deferred tax asset of £5.9m (2020: £3.0m), primarily in relation to unpaid overseas interest, has not been recognised on the basis that it is not expected to have any practical value in the short term.

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2021 continue to be measured at a rate of 19%. This change has not been reflected in the accounts but is not anticipated to have a material impact.

11. Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2021	3,638
Additions	10,302
At 31 December 2021	<u>13,940</u>
Depreciation	
At 1 January 2021	2,129
Charge for the year on owned assets	4,647
At 31 December 2021	<u>6,776</u>
Net book value	
At 31 December 2021	<u>7,164</u>
At 31 December 2020	<u>1,509</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Fixed asset investments

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 January 2021	2,247,400	35,893,174	38,140,574
Additions	20,745,711	27,206	20,772,917
Disposals	(11,289,581)	(8,266)	(11,297,847)
Revaluations	-	5,101,702	5,101,702
Transfer	(11,703,530)	11,703,530	-
At 31 December 2021	<u>-</u>	<u>52,717,346</u>	<u>52,717,346</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Fixed asset investments (continued)

Joint ventures

The following were joint ventures of the Company:

Name	Registered office	Holding
Moorgate Unit Trust ("MUT")	PO Box 1075, JTC House, 28 Esplanade, St Helier, Jersey, Channel Islands JE4 2QP	50%
Genr8 Rochdale Limited ("Genr8")	10 St. Giles Square, London, United Kingdom, WC2H 8AP	50%
Industrial Center CR 4 s.r.o.	Na Prikope 22/859, 110 00 Prague 1, Czech Republic	50%
LU GE XXIII S.à. r.l.	24-28 rue Goethe, Luxembourg, 1637	25%
LU GE XXXVII S.à. r.l.	24-28 rue Goethe, Luxembourg, 1637	50%
PDC Industrial Center 127 Sp.z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	50%
Grove House Unit Trust ("GHUT")	PO Box 1075, JTC House, 28 Esplanade, St Helier, Jersey, Channel Islands JE4 2QP	50%
Lovabe Investments Sp zoo Upper Silesia	Plac Europejski 1, 00-844 Warsaw, Poland	50%
LU NL II S.a.r.l.	24-28 Rue Goethe, L 1637 Luxembourg	50%
PDC Industrial Center 142 Sp. z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	50%
PDC Industrial Center 79 Sp. z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	25%
PDC Industrial Center 9 Sp. S.L.	Paseo de la Castellana 95, Planta 9, 28046, Madrid, Spain	50%
Berners Street Unit Trust ("BSUT")	44 Esplanade, St Helier, Jersey, Channel Islands JE4 9WG	50%
PDC Industrial Center 170 Sp.z.o.o	Plac Europejski 1, 00-844 Warsaw, Poland	50%
PDC Industrial Center 161 Sp.z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	50%
PDC Industrial Center 167 Sp.z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	50%
Rorohiko Sp.z.o.o.	ul. Mokotowska 49, 00-542 Warsaw, Poland	50%
PDC Industrial Center 166 Sp.z.o.o.	Plac Europejski 1, 00-844 Warsaw, Poland	50%
Viviaprojectone Sp.z.o.o.	ul. Stefana Batorego 16 apt. 1A, 80-251 Gdansk, Poland	50%
LU GE 61 S.a.r.l.	L-2561 Luxembourg, 5 Rue de Strasbourg	50%

KAJIMA PROPERTIES (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Fixed asset investments (continued)

Joint ventures (continued)

Name	Registered office	Holding
PDC Industrial Center 232 Sp.zo.o.	Plac Europejski 1,00-844 Warsaw, Poland	50%
PDC Industrial FR III	5 rue de Strasbourg, L- 2561 Luxembourg, Grand Duche de Luxembourg	50%
PDC Industrial Center 224 Sp.z.o.o.	Plac Europejski 1,00-844 Warsaw, Poland	50%
LU GE 68 S.a.r.l.	5 rue de Strasbourg, L- 2561 Luxembourg, Grand Duche de Luxembourg	50%

13. Debtors

	2021 £	2020 £
Due after more than one year		
Amounts owed by group undertakings	<u>151,483,601</u>	<u>142,500,445</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Debtors (continued)

The above amount comprises the following unsecured loans:

Borrower	Amount (£)	Repayment date	Interest rate
Industrial Center CR 4 s.r.o. ("ICCR4")	12,208,574	23.05.28	8.50%
LU GE XXXVII S.a. r.l. ("Kaltenkirchen II")	11,474,583	24.12.29	7.50%
PDC Industrial Center 127 Sp.z.o.o. ("IC127")	10,767,785	11.10.29	9.50%
PDC Industrial Center 1 Sp. S.L ("IC1SP")	4,537,479	25.03.30	8.00%
Lovabe Investments Sp z.o.o Upper Silesia ("Lovabe")	7,737,699	25.06.30	8.65%
LU NL II S.a.r.l. ("LUNL")	14,777,856	01.07.30	7.50%
PDC Industrial Center 79 Sp.z.o.o. ("IC79")	4,174,662	20.07.26	5.00%
LU NL II S.a.r.l. ("LUNL II")	2,564,811	01.07.30	7.50%
PDC Industrial Center 6 Sp S.L ("IC6SP")	13,900,157	01.03.30	8.00%
LU GE XXXVII Kaltenkirchen III ("Kaltenkirchen III ")	10,399,050	22.07.30	7.50%
PDC Industrial Center 161 ("IC161")	12,189,839	22.02.31	8.00%
LU GE XXIII S.a.r.l. ("Kaltenkirchen I")	372,739	25.03.27	2.32%
Rorohiko Sp. z.o.o. ("Rorohiko")	1,765,849	21.10.26	6.00%
PDC ICIC9 Spanish Hold Co 167 Knorr ("ICIC9")	3,158,664	12.04.31	7.00%
PDC Industrial Center 9 Sp. S.L. ("IC9")	511,020	12.04.31	8.00%
PDC Industrial Center 170 Sp.z.o.o. ("IC170")	7,689,423	7.04.31	7.00%
PDC Industrial Center 166 Sp. z.o.o ("IC166")	7,492,409	20.05.31	8.75%
LU GE 61 S.a.r.l. ("LU GE61")	4,472,811	20.06.31	7.50%
PDC Industrial Center 232 Sp. z.o.o. ("IC232")	3,233,778	26.10.31	8.00%
PDC Industrial FR III ("PDC Industrial FR III")	1,081,030	5.12.31	7.50%
PDC Industrial Center 224 Sp.z.o.o. ("IC224")	12,499,001	31.12.31	7.00%
PDC Industrial Center 224 Sp.z.o.o. ("IC224") VAT	2,875,237	30.06.22	7.00%
PDC Industrial Center 10 Sp.S.L ("IC10")	1,599,145	14.12.31	7.50%

Whilst the loan agreements extend to 2030, it is anticipated that repayment will take place within approximately 2 years of the balance sheet date.

	2021 £	2020 £
Due within one year		
Trade debtors	82,026	229,046
Amounts owed by group undertakings	37,046,247	68,764,789
Other debtors	-	596
Prepayments and accrued income	60,000	31,914,966
	<u>37,188,273</u>	<u>100,910,197</u>

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Debtors (continued)

The amounts owed by group undertakings comprises the following unsecured loan.

Borrower	Amount (£)	Repayment date	Interest rate
Kajima Europe Limited	19,211,074	Renewable annually	0.00003%
Kajima Europe Limited	17,834,395	On demand	nil

14. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	117,340	124,978

15. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	6,313	351,209
Amounts owed to group undertakings	18,502,020	18,311,900
Other creditors	100	1,136
Accruals and deferred income	4,777,751	2,685,493
	23,286,184	21,349,738

The above amounts owed to group undertakings amount includes the following loans:

Lender	Amount (£)	Repayment date	Interest rate
Kajima Europe Limited	17,954,168	On demand	Nil
Kajima Partnerships Limited	547,852	On demand	Nil

Of the £17,954,168 on demand loan due to Kajima Europe Limited ("KEL"), £17,834,396 is a loan due to KEL which was assigned to the company by fellow-subsiary Kajima Europe UK Holding Limited before that company was placed into members' voluntary liquidation on 26 February 2016

16. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Amounts owed to group undertakings	72,458,291	129,810,849

The above amount is payable to Kajima Europe Limited and is attracting an interest rate of the cost of borrowing from an external lender + 0.125% per annum. There is no fixed determinable date for the borrower to repay the outstanding amount(s) under the facility (the 'Maturity date'). Should the lender wish to call for repayment it may do so by giving no less than 365 days written notice to the borrower.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
30,615,823 (2020: 30,615,823) Ordinary shares of £1.00 each	<u>30,615,823</u>	<u>30,615,823</u>

All shares rank pari passu.

18. Reserves

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.

Retained earnings

The retained earnings represent cumulative profits and losses net of dividends and other adjustments.

19. Capital commitments

The directors are not aware of any contingent liabilities incurred by the company (2020: none).

20. Post balance sheet events

On 20 January 2022, the company subscribed for 4,000,000 £1 units in Warehouse K Unit Trust ("WKUT"), representing 50% of the opening subscription in the Trust. In addition, KPE provided a unit holder loan of £12,000,000 at an interest rate 0.00%. At purchase, the property was valued by an independent RICS registered valuer at £45.0m.

On 20 January 2022 an amendment and restatement agreement relating to the Facility Agreement was signed by the existing Managing Trustees, Unitholders, Lender and the WKUT Managing Trustees, with WKUT as the Acceding Borrower. The updated agreement increases the loan facility from £76.2m to £103.2m and uses a margin of 1.6% plus SONIA to calculate interest on the loan, effective from 20 January 2022. The loan is repayable in full on 22 December 2025 (i.e., on the fifth anniversary of the utilisation date).

On 31 January 2022, PDC IC 9 Spanish Hold Co disposed of its investment in PDC IC1 SP – Torija (Madrid East), with a dividend of €3.1m paid to the company.

On 02 February 2022, the company acquired 50% of the ordinary share capital in PDC IC 209 Łódź South for a consideration of £1,544 (€1,826). The investment is a 50:50 joint venture with PG Dutch Holding I B.V.

On 22 March 2022, the company acquired 50% of the ordinary share capital in Industrial IT V S.r.l Milan for a consideration of £4,156 (€5,000). The investment is a 50:50 joint venture with Panattoni Italy Holding S.à r.l.

KAJIMA PROPERTIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. Controlling party

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 its registered address at 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 its registered address at 10 St. Giles Square, London WC2H 8AP.