



**KAJIMA PROPERTY HOLDINGS  
LIMITED**

**Report and Financial Statements**

**31 December 1998**

**Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**





**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

F Suzuki  
T Yamamoto  
S Watanabe  
M Fernandes  
N Aoki  
J Everritt

**SECRETARY**

J E Beglin

**REGISTERED OFFICE**

Grove House  
248a Marylebone Road  
London NW1 6JZ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

**DIRECTORS' REPORT**

The directors present their annual report and the company's audited financial statements for the year ended 31 December 1998.

**PRINCIPAL ACTIVITIES**

Kajima Property Holdings Limited is the parent undertaking for a number of subsidiary undertakings which are engaged in property investment and development.

**RESULTS**

The results for the year and the state of affairs of the company are as set out in the attached financial statements.

**REVIEW OF THE BUSINESS**

The company made a loss before taxation of £4,772,000 (1997 - £1,453,000 loss).

The loss was generated principally by the increase in provisions against investments in subsidiary undertakings. It is not the company's policy to revalue above cost its investments. However, if all investments were valued based on underlying net assets, an unrealised revaluation surplus of £24,128,000 would arise.

The company and its subsidiaries are engaged in property development projects at Euston Square and London Wall in Central London and at Stockley Park near Heathrow Airport. the group also owns Grove House, the UK headquarters of the Kajima group of companies.

Subsequent to the year end, the properties at Euston Square were sold to a subsidiary of Hammerson plc. The company also sold its subsidiary company SKE Limited.

The carrying value of the London Wall project was written down significantly during the year, but redevelopment plans are at an advanced stage.

Stockley Park has had another successful year and has generated substantial cash for the group through its development programme.

The company and its subsidiaries are continuing to look at future development opportunities in the current financial year.

Although the company has net liabilities, the sale of the Euston properties by its subsidiary undertakings subsequent to the year end has generated significant cash, which has been used to repay interest bearing group debt. The company has repaid in full the outstanding balances on its £44 million and £20 million facilities from Kajima Europe B.V. The company has significant facilities in place and the directors have therefore prepared these financial statements on a going concern basis.

**DIRECTORS AND THEIR INTERESTS**

The current directors of the company are shown on page 1.

Changes to directorships were as follows:

T Kochi	(resigned 6 July 1998)
Y Nakagawa	(resigned 6 July 1998)
S Sugura	(resigned 6 July 1998)
M Fernandes	(appointed 6 July 1998)
N Aoki	(appointed 6 July 1998)
J Everitt	(appointed 6 July 1998)

No director had any interest in the share capital of the company or of the group at any time during the year.


**DIRECTORS' REPORT****YEAR 2000**

The company has no direct property interests and its principal exposure is its accounting system. The accounting software used by the Company and its wholly owned subsidiaries have been certified Year 2000 compliant. Each of the subsidiaries, in turn are assessing the potential risks of the Year 2000 date on computer systems and are at different stages in their compliance. Many of the issues are being dealt with through normal upgrading of systems. Identifiable costs are not significant and will be expensed as incurred through overheads.

**AUDITORS**

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

Approved by the Board of Directors  
and signed on behalf of the Board

  
J E Beglin  
Secretary

28 April 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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 accounting standards have been followed; and
- prepare the financial statements on a 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## AUDITORS' REPORT TO THE MEMBERS OF

### KAJIMA PROPERTY HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 11, which have been prepared under the accounting policies set out on page 8.

#### Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche  
Chartered Accountants and Registered Auditors

28 April 1999



**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 1998**

	<b>Note</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
<b>TURNOVER</b>	<b>1</b>	-	-
Administrative expenses		(38)	(33)
Net increase of provisions against investments in subsidiary undertakings		(4,298)	(900)
<b>OPERATING LOSS</b>	<b>2</b>	(4,336)	(933)
Interest receivable		3,494	2,271
Interest payable	<b>3</b>	(3,930)	(2,791)
<b>LOSS FOR THE YEAR</b>	<b>11</b>	(4,772)	(1,453)

All activities derive from continuing operations.

The company had no other recognised gains or losses for the current or prior year.





**BALANCE SHEET**  
**At 31 December 1998**

	Note	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	5	-	-
Investment in subsidiary undertakings	6	48,559	52,837
		<u>48,559</u>	<u>52,837</u>
<b>CURRENT ASSETS</b>			
Debtors:	7		
Amounts due within one year		153	2,709
Amounts due in more than one year		103,931	99,298
Investments		1	1
Cash at bank		103	28
		<u>104,188</u>	<u>102,036</u>
<b>CREDITORS: amounts falling due within one year</b>	8	(100,885)	(102,504)
<b>NET CURRENT ASSETS</b>		<u>3,303</u>	<u>(468)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>51,862</u>	<u>52,369</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	(53,923)	(49,658)
		<u>(2,061)</u>	<u>2,711</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	44,007	44,007
Profit and loss account	11	(46,068)	(41,296)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(2,061)</u>	<u>2,711</u>

These financial statements were approved by the Board of Directors on 28 April 1999

Signed on behalf of the Board of Directors

F Suzuki  
Director



**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1998**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The accounts present information about the company as an individual undertaking and not about the group. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Kajima Europe UK Holding Limited, a company registered in England and Wales.

**Turnover**

Turnover represents management fees to subsidiary undertakings, net of value added tax, and is derived from business carried out in the United Kingdom.

**Subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost less provisions for diminution in value based on net asset values.

**Deferred taxation**

Deferred taxation is provided under the liability method on all timing differences to the extent that it is probable that a liability will crystallise, calculated at the rate at which it is estimated that tax will be payable.

**Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation, which is provided on a reducing balance basis at rates calculated to reduce the carrying value to their residual value over their expected useful lives of 4 to 5 years.

**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 which is conferred by Financial Reporting Standard No. 8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings.

**2. OPERATING LOSS**

This is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration - audit services	5	5
- non-audit services	8	18
Depreciation	-	3
	<u>          </u>	<u>          </u>

The company had no employees other than its directors, none of whom received any remuneration for their services as directors of the company during the year (1997: £nil).

**3. INTEREST PAYABLE**

	1998 £'000	1997 £'000
Group loans	3,930	2,791
	<u>          </u>	<u>          </u>



**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 1998**

**4. TAXATION**

There is no charge to corporation tax due to the availability of tax losses in the current year.

**5. TANGIBLE FIXED ASSETS**

	Office Equipment £'000
<b>Cost:</b>	
At 1 January 1998 and 31 December 1998	17
<b>Accumulated depreciation:</b>	
At 1 January 1998 and 31 December 1998	17
<b>Net book value</b>	
At 31 December 1998 and 31 December 1997	-

**6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	Cost £'000	Provisions £'000	Net book value £'000
At 1 January 1998	59,807	(6,970)	52,837
Additions	20	-	20
Increase in provisions	-	(4,298)	(4,298)
At 31 December 1998	59,827	(11,268)	48,559

Principal subsidiary undertakings are as follows:

	Activity	Project
SKE Limited	Property investment	Euston
SKEB Limited*	Property investment	Euston
SKLW Limited	Property development	London Wall
SKSP Limited	Property development	Stockley Park
SKD Limited	Property development	General
Embassy Partnerships Limited*	Dormant	General
Kajima UK Development Limited	Property services	General
Comet Park Hatfield Limited	Property development	General
Grove House UK Limited	Property ownership	Grove House
Wood Street Properties Limited	Property investment	General
Kajima City Developments Limited	Property investment	London Wall
Kajima London Wall Limited	Property investment	London Wall
Stockley Park Consortium Limited* (58.3%)	Property development	Stockley Park

All subsidiary undertakings are registered and operate in England. They are wholly owned, except where otherwise stated.

\*Held by subsidiary undertakings.



**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 1998**

**7. DEBTORS**

	1998 £'000	1997 £'000
Due within one year:		
Amounts due from immediate parent undertaking	153	2,709
Due after more than one year:		
Amounts due from subsidiary undertakings	103,931	99,298
	<u>104,084</u>	<u>102,007</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £'000	1997 £'000
Trade creditors	2	-
Other taxes and social security costs	4	-
Amounts due to group undertakings	100,219	101,822
Accruals and deferred income	660	682
	<u>100,885</u>	<u>102,504</u>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £'000	1997 £'000
<i>£44 million loan facility (unsecured) from Kajima Europe BV</i>	44,000	44,000
<i>£20 million loan facility (unsecured) from Kajima Europe BV</i>	9,923	5,658
	<u>53,923</u>	<u>49,658</u>

The repayment terms of total debt falling due after more than one year is as follows:

	1998 £'000	1997 £'000
Between one and two years	<u>53,923</u>	<u>49,658</u>

**10. SHARE CAPITAL**

	1998 £	1997 £
Authorised, allotted, called up and fully paid: 44,007,002 ordinary shares of £1 each	<u>44,007,002</u>	<u>44,007,002</u>



**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 1998**

**11. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 1998	44,007	(41,296)	2,711
Loss for the year	-	(4,772)	(4,772)
At 31 December 1998	44,007	(46,068)	(2,061)

**12. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

The company has given assurances, to the relevant subsidiary undertakings that it will provide or procure adequate finance to enable them to meet their normal liabilities as they fall due for at least 12 months from the date of approval of their financial statements for the year ended 31 December 1998.

**13. ULTIMATE AND IMMEDIATE PARENT COMPANY**

The company's ultimate controlling entity, ultimate parent company, and parent company of the largest group of which the company is a member and for which group financial statements are prepared is Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 1-2-7 Moto-Akasaka, Minato-Ku, Tokyo.

The company's immediate controlling entity and the smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe UK Holding Limited, which is incorporated in Great Britain. Copies of the group financial statements are available from Grove House, 248a Marylebone Road, London NW1 6JZ.