

Company Registration No. 02982397

Grove House UK Limited

Report and Financial Statements

31 December 2012



Grove House UK Limited

Report and financial statements 2012

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Grove House UK Limited

Report and financial statements 2012

Officers and professional advisers

Directors

M Uchida (resigned 01 January 2013)
K Uchida (appointed 01 January 2013)
A Yajima
J M Rudd-Jones

Secretary

J A Cheadle

Registered office

55 Baker Street
London
W1U 8EW

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Grove House UK Limited

Directors' report

The directors present their annual report on the affairs of Grove House UK Limited ("the company"), together with the financial statements and auditors' report, for the year ended 31 December 2012. This directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

Business review and principal activities

The company is a wholly-owned subsidiary of Kajima Properties (Europe) Limited.

The principal activity of the company is property investment in London. The company's sole property, in which the company owns the freehold, is "The Grove" (formerly "Grove House") in Marylebone, London NW1, comprising office accommodation, together with a small reversionary interest in the adjacent Jerome House. The Grove was totally refurbished during 2011 with practical completion in early 2012. Following the completion of this work, the building, which had previously been occupied in part by the Kajima UK group, was transferred from tangible fixed assets to investment properties. 10-year leases have now been signed in respect of four of the six floors and it is anticipated that the building will be completely tenanted within the next few months.

Apart from the above, there have not been any significant changes in the company's principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company is financed by shareholder's funds.

Going concern

As a result of uncertainty in the London office lettings market due to the current economic environment, there is a potential risk that, following refurbishment, the company will be unable to re-let space or be obliged to substantially reduce the rents charged. However, in view of the building's position close to the West End, combined with good transport links, the directors do not consider this to be a material risk, especially as the building well on course to be fully tenanted within the next few months.

The freehold property has been valued by the directors at £15,500,000.

Although the company has net assets of £13.6m, it has net current liabilities of £1.86m. The directors, having therefore considered its future cashflows, note that, as at the signing date, 10-year leases had been signed in respect of four of the six floors of the building and anticipate that the building will be completely tenanted within the next few months. They therefore have a reasonable expectation that the company has adequate resources to enable it to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Results and dividends

As shown in the company's profit and loss account on page 6, the company made an operating loss of £601,301 (2011 £237,433). This performance reflects the fact that the building was untenanted during its refurbishment from March 2011 until October 2012.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year-end has increased in net asset terms by £8.6m compared to the prior year.

The directors recommend that no final dividend be paid (2011: £nil).

Principal risks and uncertainties

Credit risk

The company mitigates the credit risk on all new external tenancies by requiring a deposit of one quarter's rent as a deposit. Late payments are pursued on a regular basis.

Other risks

In view of the matters considered under 'Going concern' (above), the directors consider the risks and uncertainties facing the company to be negligible.

Grove House UK Limited

Directors' report (continued)

Directors and their interests

The current directors of the company are shown on page 1. On 1 January 2013, M Uchida resigned and Mr K Uchida was appointed as a director in his place. There have been no other changes to the board during the year or since the year-end.

None of the directors had any interests in the shares of the company or any other group company at any time during the year.

Qualifying third party indemnity provisions are currently in force for the benefit of certain directors.

Supplier payment policy

The company's policy, which is also applied by the group, is to pay suppliers within one month of receipt of invoice.

Post balance sheet events

No significant events affecting the company or its subsidiaries have occurred since 31 December 2012.

Disclosure of information to auditor

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

- so far as the directors are aware, there is no relevant audit information of which the auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditors in accordance with the Companies Act.

By Order of the Board



J A Cheadle
Secretary

14 June 2013

Grove House UK Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Grove House UK Limited

We have audited the financial statements of Grove House UK Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



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

17 June 2013

Grove House UK Limited

Profit and loss account Year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	5,150	6,186
Administrative expenses		(606,451)	(243,619)
Operating profit	3	(601,301)	(237,433)
Net interest and similar income	4	(29,325)	9,834
Loss on ordinary activities before taxation		(630,626)	(227,599)
Taxation	5	-	-
Loss on ordinary activities after taxation retained for the year	10	(630,626)	(227,599)

All activities derive from continuing operations in the current and preceding year

Statement of total recognised gains and losses Year ended 31 December 2012

	2012 £'000	2011 £'000
Loss attributable to shareholder of the company	(630,626)	(227,599)
Unrealised surplus on revaluation of fixed asset investment	9,269,666	-
Total recognised gains and losses for the year	8,639,040	(227,599)

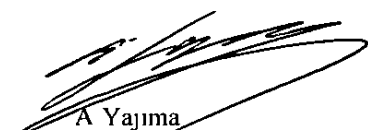
The notes on pages 8 to 12 form part of these financial statements

Grove House UK Limited

Balance Sheet Year ended 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Investment properties	6	15,500,000	-
Tangible assets	6	7,667	5,636,355
		<u>15,507,667</u>	<u>5,636,355</u>
Current assets			
Debtors	7	1,486,055	1,435,905
Cash at bank and in hand		82,731	9,040
		<u>1,568,786</u>	<u>1,444,945</u>
Creditors amounts falling due within one year	8	<u>(3,428,883)</u>	<u>(2,072,770)</u>
Net current liabilities		<u>(1,860,097)</u>	<u>(627,825)</u>
Total assets less current liabilities		<u>13,647,570</u>	<u>5,008,530</u>
Net assets		<u>13,647,570</u>	<u>5,008,530</u>
Capital and reserves			
Called up share capital	9	2,800,000	2,800,000
Revaluation reserve	10	9,269,666	-
Profit and loss account	10	1,577,904	2,208,530
Shareholder's funds	10	<u>13,647,570</u>	<u>5,008,530</u>

These financial statements of Grove House UK Limited, registered number 02982397, were approved by the Board of Directors on 14 June 2013 and signed on its behalf by


A Yajima
Director

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

Grove House UK Limited

Notes to the Financial statements Year ended 31 December 2012

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The accounting policies described below have been applied consistently throughout the year and in the preceding year.

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.

Cash flow statement

The company has taken advantage of the exemption provided under Financial Reporting Standard 1 (Revised 1996) not to prepare a cash flow statement, as it is a wholly-owned subsidiary undertaking.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold property (which is now classified as an investment property), at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Furniture	Straight line over 4 years
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Investment properties

Investment properties are professionally revalued on an annual basis.

Related party transactions

The company is a wholly-owned (indirect) subsidiary of Kajima Europe Limited and has taken advantage of the exemption which 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 substantively 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.

Grove House UK Limited

Notes to the Financial statements Year ended 31 December 2012

2. TURNOVER

Turnover represents rents and service charges receivable, net of value added tax, and is wholly derived from activities carried out in the United Kingdom

3 OPERATING PROFIT

Operating profit is stated after charging

	2012 £	2011 £
Fees payable to the company's auditor		
For the audit of the annual accounts		
Company	11,000	11,000
Total audit fees	11,000	11,000
Non-audit services		
Taxation compliance services	3,000	3,000
Total non-audit fees	3,000	3,000
Total fees (all borne by the company)	14,000	14,000
Depreciation – owned assets	2,556	35,000

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 (2011 £nil)

4. NET INTEREST AND OTHER INCOME

	2012 £	2011 £
Other interest	67	-
Group interest	(29,392)	9,834
	(29,325)	9,834

Group interest was payable in respect of a loan to the company's ultimate UK parent, Kajima Europe Limited

Grove House UK Limited

Notes to the Financial statements Year ended 31 December 2012

5. TAXATION

(a) Tax charge on loss on ordinary activities

In view of the company's loss for the year, there is no corporation tax charge (2011 £nil)

(b) Factors affecting tax charge for the year

The current tax assessed for the year differs from that calculated by applying the standard rate of corporation tax in the UK to the loss shown in the profit and loss account. The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(630,626)	(227,599)
Loss on ordinary activities multiplied by the effective rate of UK corporation tax of 24.5% (26.5%)*	167,116	60,314
<i>Effects of</i>		
Depreciation in excess of capital allowances	(677)	(9,275)
Expenses not eligible for tax purposes	(25,221)	-
Group relief surrendered for nil consideration	-	(50,692)
Unused losses carried forward	(140,073)	-
Imputed interest under UK-UK transfer pricing	(1,145)	(347)
Current tax charge for the year	-	-
*Blended rate for 2012 & 2011	-	-

(c) Deferred taxation

A potential deferred tax asset of £0.55m (2011 £0.24m), all in relation to the excess of depreciation over capital allowances, has not been recognised on the basis that it is not expected to have any practical value in the short term.

The standard rate of corporation tax was reduced to 23% on 1 April 2013. The Government has also announced that it intends to reduce the standard rate of corporation tax to 21% on 1 April 2014 and 20% on 1 April 2015, but these reductions had not been enacted in law at the balance sheet date.

Grove House UK Limited

Notes to the Financial statements Year ended 31 December 2012

6. TANGIBLE FIXED ASSETS

	Investment properties £	Assets in the course of construction £	Furniture and equipment £	Total £
Cost				
At 1 January 2012	-	5,636,355	-	5,636,355
Additions	-	593,979	10,222	604,201
Transfers	6,230,334	(6,230,334)	-	-
Revaluation	9,269,666	-	-	9,269,666
At 31 December 2012	15,500,000	-	10,222	15,510,222
Depreciation				
At 1 January 2012	-	-	-	-
Charge for the year	-	-	2,555	2,555
At 31 December 2012	-	-	2,555	2,555
Net book value				
At 31 December 2012	15,500,000	-	7,667	15,507,667
At 31 December 2011	-	5,636,355	-	5,636,355

The company's freehold office property known as "The Grove" (formerly "Grove House"), which had previously been occupied in part by the Kajima UK group, was transferred to investment properties following the completing of its refurbishment in early 2012. Tenant leases have now been signed in respect of two floors and more are anticipated in the near future.

The freehold property has been valued by the directors at £15,500,000.

7. DEBTORS

	2012 £	2011 £
Amount owed by ultimate UK parent undertaking	999,345	851,641
Amount owed by fellow-subsidiary undertakings	390,365	516,967
Prepayments and accrued income	72,846	18,662
Other debtors	23,499	48,635
	<u>1,486,055</u>	<u>1,435,905</u>

Grove House UK Limited

Notes to the Financial statements Year ended 31 December 2012

8. CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	666,200	366,921
Amounts payable to ultimate UK parent undertaking	2,725,357	1,537,759
Amount payable to fellow-subsiary	13,645	13,645
Accruals and deferred income	23,231	154,445
Other creditors	450	-
	<u>3,428,883</u>	<u>2,072,770</u>

9. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
2,800,000 ordinary shares of £1 each	<u>2,800,000</u>	<u>2,800,000</u>

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

	Share Capital £	Profit and loss account £	Revaluation reserve £	Total £
At 1 January 2012	2,800,000	2,208,530	-	5,008,530
Loss for the year	-	(630,626)	-	(630,626)
Unrealised gain on revaluation of investment property	-	-	9,269,666	9,269,666
At 31 December 2012	<u>2,800,000</u>	<u>1,577,904</u>	<u>9,269,666</u>	<u>13,647,570</u>

11. 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 parent company is Kajima Properties (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. Copies of the group financial statements are available from the registered office.