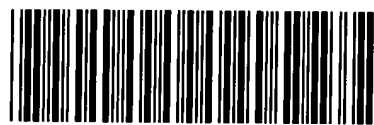


UD Europe Limited

**Annual report and financial statements
for the year ended 31 December 2016**

Registered number 7056967

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COMPANY INFORMATION

Directors

Hiroshi Ogasawara
Seiji Okinaga
Toshiaki Tanaka

Company number

7056967

Registered office

1st Floor
1 King William Street
London
EC4N 7AR

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Strategic report

The directors of UD Europe Limited ("the Company") present their strategic report for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is to develop, buy, lease and sell real estate.

Business review

The Company is a wholly-owned subsidiary of NTT Urban Development Corporation, incorporated in Japan.

During the year, the Company capitalised £9.9 million (2015: £16.2 million) to develop the freehold property at 1 King William Street and £1.2 million (2015: Nil) to develop the leasehold property at 20 Finsbury Circus.

At the balance sheet date, the Company held net assets of £135.1 million (2015: £139.8 million).

Although the Company has net current liabilities of £32.4 million (2015: £25.5 million), the directors continue to prepare the financial statements on a going concern basis. The Company continues to have the support of the banks and the NTT group including the parent company. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they will continue to adopt the going concern basis in preparing the annual report and accounts.

Key performance indicators

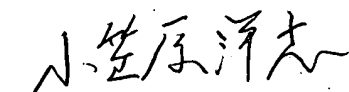
The Company's key financial indicator was a profit before taxation and revaluation of investment property which was £4.8 million (2015: £5.0 million).

Principal risks and uncertainties facing the business

The principal financial risk to which the Company is exposed is valuation risk. The properties at 1 King Williams Street, 20 Finsbury Circus and 265 Strand are subject to annual revaluations.

As the valuations at which these assets are shown in the Company's balance sheet reflect current conditions in the London property market, the Directors do not consider the Company to be exposed to any significant valuation risk.

By order of the board



Hiroshi Ogasawara
Director

1st Floor, 1 King William
Street, London EC4N 7AR

8 June 2017

Directors' report

The directors of UD Europe Limited present their director's report for the year ended 31 December 2016.

Directors

The Directors who held office during the year were as follows:

Hiroshi Ogasawara

Seiji Okinaga

Toshiaki Tanaka

Dividends

The directors do not recommend the payment of a dividend for the year (2015: Nil).

Political contributions

The Company made no political contributions during the year (2015: Nil).

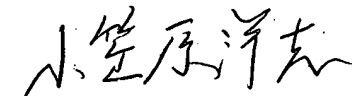
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's 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.

Auditor

KPMG LLP 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.

By order of the board



Hiroshi Ogasawara
Director

1st Floor, 1 King William
Street, London EC4N 7AR

8 June 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent Auditor's report to the members of UD Europe Limited

We have audited the financial statements of UD Europe Limited for the year ended 31 December 2016, set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006


In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.


Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

8 June 2017

Statement of Income and Retained Earnings for the year ended 31 December 2016

	<i>Note</i>	2016 £	2015 £
Turnover	3	8,188,883	8,503,062
Cost of sales		(53,013)	(19,411)
Gross profit		8,135,870	8,483,651
Operating expenses		(1,194,947)	(1,549,392)
Revaluation of investment property	10	(12,136,351)	20,365,648
Operating (loss)/profit		(5,195,428)	27,299,907
Other interest receivable and similar income	4	396	27,801
Interest payable and similar expenses	5	(1,947,841)	(1,911,227)
Changes in fair value of derivatives		(170,828)	(81,643)
(Loss)/Profit before taxation	6	(7,313,701)	25,334,838
Tax on loss/(profit)	8	2,617,466	(3,587,593)
Profit/(Loss) for the financial year		(4,696,235)	21,747,245
Retained earnings at the beginning of the year		58,005,567	36,258,322
Retained earnings at the end of the year		53,309,332	58,005,567

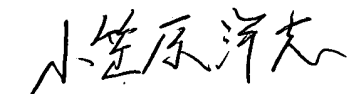
The notes on page 10 to 22 form part of these financial statements.

**Balance Sheet
as at 31 December 2016**

	Note	2016 £	2015 £
Fixed assets			
Tangible fixed assets	9	29,804	-
Investment property	10	254,098,696	255,218,287
		<u>254,128,500</u>	<u>255,218,287</u>
Current assets			
Debtors	11	1,792,378	1,389,896
Cash at bank and in hand		2,828,909	3,012,268
		<u>4,621,287</u>	<u>4,402,164</u>
Creditors: amounts falling due within one year	12	(36,977,314)	(29,949,144)
Net current liabilities		<u>(32,356,027)</u>	<u>(25,546,980)</u>
Total assets less current liabilities		<u>221,772,473</u>	<u>229,671,307</u>
Creditors: amounts falling due after more than one year	13	(84,519,124)	(84,518,287)
Provisions for liabilities	14	(2,144,017)	(5,347,453)
		<u>135,109,332</u>	<u>139,805,567</u>
Net assets		<u>135,109,332</u>	<u>139,805,567</u>
Capital and reserves			
Called up share capital	15	200	200
Share premium account		81,799,800	81,799,800
Profit and loss account		53,309,332	58,005,567
Shareholder's fund		<u>135,109,332</u>	<u>139,805,567</u>

The notes on page 10 to 22 form part of these financial statements.

These financial statements were approved by the Directors of the UD Europe Limited on 8 June 2017 and were signed on its behalf by:



Hiroshi Ogasawara
Director

Company registered number: 7056967

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

UD Europe Ltd is a company limited by shares and incorporated and domiciled in the UK. The registered office is 1st Floor, 1 King William Street, London, EC4N 7AR.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The amendments to FRS 102 issued in March 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Nippon Telegraph and Telephone Company (NTT) includes the Company in its consolidated financial statements. The consolidated financial statements of Nippon Telegraph and Telephone Company (NTT) are prepared in accordance with the U.S. Generally Accepted Accounting Principles and are available to the public and may be obtained from their registered address. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss and investment property measured in accordance with the revaluation model.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The Company's business activities, together with the factors likely to affect further development, performance and position are set out in the Directors' Report on page 5. The Strategic Report on Page 4 describes the Company's objectives, policies and exposure to market risk.

Although the Company has net current liabilities of £32.3 million, the directors continue to prepare the financial statements on a going concern basis. The Company continues to have the support of the banks and the NTT group including the parent company. The directors have considered the cash requirements of the Company for the foreseeable future and have a reasonable expectation that sufficient funding will remain available to continue in operational existence for the foreseeable future. Accordingly, they will continue to adopt the going concern basis in preparing the annual report and accounts.

1.10 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Equipment 3 years
- Fixtures and fittings 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.9 below.

Subsequent to initial recognition, investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value and any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 of FRS102 until a reliable measure of fair value becomes available.

1.8 Impairment excluding investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.8 Impairment excluding investment properties and deferred tax assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes (continued)

1 Accounting policies (continued)

1.9 Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, [associates, branch, joint ventures] to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. [For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property [except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used]. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Accounting estimates and judgements

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revaluation of investment properties

The fair value of investment properties involve the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including rent growth and development costs. In addition the use of discount rates requires judgement.

3 Turnover

	2016	2015
	£	£
Rental income	8,188,883	8,503,062
	<hr/>	<hr/>
	8,188,883	8,503,062
	<hr/>	<hr/>

4 Other interest receivable and similar income

	2016	2015
	£	£
Interest receivable on bank deposits	396	27,801
	<hr/>	<hr/>
	396	27,801
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar expenses

	2016 £	2015 £
Loan interest	1,547,004	1,511,532
Finance lease interest	400,837	399,695
	<u>1,947,841</u>	<u>1,911,227</u>

6 Profit before taxation

Operating profit is calculated after charging the following items:

	2016 £	2015 £
Operating lease rentals	27,775	30,239
Office premises	<u>27,775</u>	<u>30,239</u>

	2016 £	2015 £
Auditor's Remuneration	35,950	40,750
Audit of these financial statements	<u>35,950</u>	<u>40,750</u>

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	1	2
Architecture	1	1
	<u>2</u>	<u>3</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Directors' remuneration	220,472	166,884
Wages and salaries	235,434	219,690
	<u>455,906</u>	<u>386,574</u>

8 Taxation

Analysis of charge in period

	2016 £	2015 £
<i>UK corporation tax</i>		
Current tax on income for the period	581,032	974,391
Adjustments in respect of prior years	4,938	237
	<u>585,970</u>	<u>974,628</u>
<i>Deferred tax</i>		
Originating and reversal of timing differences	(2,858,104)	3,207,125
Effect of changes in tax rate on opening liability	(345,332)	(594,160)
	<u>(3,203,436)</u>	<u>2,612,965</u>
Total deferred tax		
	<u>(2,617,466)</u>	<u>3,587,593</u>
Tax on profit		

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2016 £	2015 £
Net profit before taxation	(7,313,701)	25,334,838
Current tax at 20.00 % (2015: 20.25%)	(1,462,740)	5,130,305
Effects of:		
Expenses not deductible for tax purposes	15,417	88,998
Indexation allowance for investment properties	(1,258,385)	(997,531)
) Effects of rate changes	215,806	(634,416)
Prior year adjustment	4,938	237
Others	(132,502)	-
Tax on profit	(2,617,466)	3,587,593

Factors that may affect future, current and total tax charges

The main rate of UK corporation tax reduced from 21% to 20% from 1 April 2015

The Chancellor announced further reductions in the statutory rate of UK corporation tax to 19% from 1 April 2017 then 18% from 1 April 2020. A further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

Notes (continued)

9 Tangible fixed assets

	Equipment £	Furniture & Fixtures £	Total £
Cost			
Balance at 1 January	1,482	-	1,482
Additions	1,338	30,544	31,882
Balance at 31 December	2,820	30,544	33,364
Depreciation			
Balance at 1 January	1,482	-	1,482
Depreciation charge for the year	260	1,818	2,078
Balance at 31 December	1,742	1,818	3,560
Net book value			
At 1 January	-	-	-
At 31 December	1,078	28,726	29,804

10 Investment property

	2016 £
Balance at 1 January	255,218,287
Additions	11,016,760
Net gain from fair value adjustments	(12,136,351)
Balance at 31 December	254,098,696
Historical cost net book value	237,571,388

Investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The range of yields and estimated rental value applied for each type of property are 4.3% - 5.0% (2015: 4.2% - 5.0%) and £56 - £66 square feet (2015: £54 - £59 square feet) respectively.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

Notes (continued)

11 Debtors

	2016 £	2015 £
Trade debtors	39,023	-
Other debtors	69,510	844,058
Prepayments and accrued income	1,683,845	375,010
Interest rate swaps	-	170,828
	<u>1,792,378</u>	<u>1,389,896</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,186,420	338,141
Accruals and deferred income	3,014,054	3,237,175
Other creditors	-	373,828
Loans	32,776,840	26,000,000
	<u>36,977,314</u>	<u>29,949,144</u>

13 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Finance lease liabilities	4,519,124	4,518,287
Loans	80,000,000	80,000,000
	<u>84,519,124</u>	<u>84,518,287</u>

Finance lease liabilities

The future minimum finance lease payments are as follows:

	2016 £	2015 £
Less than one year	400,000	400,000
Between one and five years	1,600,000	1,600,000
More than five years	56,300,000	56,700,000
	<u>58,300,000</u>	<u>58,700,000</u>
Total gross payments	58,300,000	58,700,000
Less: finance charges	53,780,876	54,181,713
	<u>4,519,124</u>	<u>4,518,287</u>

Notes (continued)

14 Provision for liabilities – Deferred Tax

	2016	2015
	£	£
At beginning of year	5,347,453	2,734,488
Profit and loss account	(3,203,436)	2,612,965
At the end of year	2,144,017	5,347,453
<i>The deferred tax consists of:</i>		
	2016	2015
	£	£
Deferred tax liabilities		
Accelerated capital allowance	827,580	571,905
Revaluation of investment properties	1,348,393	4,744,799
Interest rate swaps	(31,956)	30,749
Net deferred tax	2,144,017	5,347,453

15 Called up share capital

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
200 ordinary shares of £1 each	200	200
	200	200

Notes (continued)

16 Operating leases

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2016 £	2015 £
Less than one year	10,503,837	8,837,000
Between one and five years	25,126,098	23,348,000
More than five years	8,711,819	3,627,750
	<u>44,341,754</u>	<u>35,812,750</u>

17 Related party disclosures

UD Europe Limited, being a wholly owned subsidiary undertaking, has taken advantage of the exemptions available to it under FRS 102 section 33.1A, with respect to the disclosure of related party transactions with entities which are wholly owned by NTT Urban Development Corporation, the immediate parent company.

During the period the Company had the following transactions in the normal course of business with partly owned group undertakings:

	2016 £	2015 £
Net loan additions	26,776,840	6,000,000
Interest payable and similar expenses	1,322,105	1,207,532

At the end of period the balances outstanding were:

	2016 £	2015 £
Loans	112,776,840	86,000,000

18. Ultimate 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 Nippon Telegraph and Telephone Corporation (NTT), a company incorporated in Japan. Copies of the group financial statements of Nippon Telegraph and Telephone Corporation are available from Otemachi First Square, East Tower, 5-1, 1-chome, Otemachi, Chiyoda-ku, Tokyo, 100-8116.

The company's immediate controlling entity is NTT Urban Development Corporation, a company incorporated in Japan.