UD Europe Limited

Annual report and financial statements
for the year ended 31 December 2019
Registered number 7056967

Contents

COMPANY INFORMATION

Directors	Seiji Okinaga Toshiaki Tanaka (resigned on 30 June 2019) Yoko Okubo (resigned on 31 January 2019) Toru Kinoshita (appointed on 1 February 2019) Hiroshi Ogasawara (appointed on 1 July 2019) Hideyuki Yamasawa (appointed on 18 June 2020)
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 2019.

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 £28.8 million (2018: £5.1 million) to develop mainly the leasehold property at 20 Finsbury Circus and performed some small works for the 1 King William Street freehold property. The Company owns two properties in central London - the properties at 1 King William Street and the leasehold property at 20 Finsbury Circus at the balance sheet date.

At the balance sheet date, the Company held net assets of £164.7 million (2018: £147.30 million).

Although the Company has net current liabilities of £48 million (2018: £29.6 million), the directors continue to prepare the financial statements on a going concern basis. The committed line with the NTT group is expected to satisfy its funding requirements over the next 12 months from the approval date of the financial statements. The committed line in place at the approval date of the financial statements is £150 million. Brexit risks against rental income and constructions are covered by long-term lease contracts, a pre-let agreement or a fixed price construction contract. 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.

The short-term impact of Covid-19 is a reduced demand for commercial properties. We are uncertain when the effects of Covid-19 will fade, and the conditions of commercial property market will return to normal again.

The long-term impact is that our customers will be more selective in choosing their commercial properties in respect of location, size, and facilities, as Covid-19 has caused businesses to adopt more flexible working from home arrangements and increased technology based/e-commerce business models. We will carefully watch how the market develops and build our portfolio accordingly.

Key performance indicator

The Company's key financial indicator was profit before taxation, disposal of investment property and revaluation of investment property which was £2.9 million (2018: £3.8 million). The decrease in profit before taxation, disposal of investment property and revaluation of investment property resulted from decreases in rental income from the property at 20 Finsbury Circus being under refurbishment throughout the year and the property at 265 Strand being sold during the prior year.

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 William Street and 20 Finsbury Circus 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.

Duty to promote the success of the company

Management is aware of its duty to promote the success of the company, namely defined in section 172(1) (a)-(f) of the Companies Act 2006, and plays an active part in making this happen.

By order of the board

Seiji Okinaga
Director

1st Floor, 1 King William
Street, London EC4N 7AR
27 July 2020

Directors' report

The directors of UD Europe Limited present their director's report for the year ended 31 December 2019.

Directors

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

Seiji Okinaga

Toshiaki Tanaka

Yoko Okubo

Toru Kinoshita

Hiroshi Ogasawara

Dividends

The directors do not recommend the payment of a dividend for the year (2018: Nil).

Political contributions

The Company made no political contributions during the year (2018: 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.

Going concern

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

The directors have prepared the financial statements on a going concern basis. In making this determination the directors have considered the cash requirements of the Company for at least 12 months from the date of approval of the financial statements.

In this forecast the directors have taken account of the serious implications of the outbreak of coronavirus which has adversely impacted global commercial activities. The UK real estate market is no exception to this. The directors therefore have modelled a severe but plausible downside scenario in respect to the Company's cash needs for the next 12 months.

The results of this forecast indicate that the Company's cash needs will remain within the financing facility already provided by the group. Whilst the financing facility can be reviewed at any time and the group has not confirmed that it will continue to provide this facility for at least 12 months from the date of approval of these financial statements - the directors have considered the group's intentions and ability to continue to provide this facility and have no reason to believe the facility will not remain in place. In addition, the directors consider that in the unlikely event that this facility was withdrawn, the low gearing of the Company would mean that other sources of finance would be readily available.

The directors therefore consider that there is no material uncertainty that sufficient funding will remain available to enable the Company to allow it to continue as a going concern for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

The company increased its share capital by £58 million in March 2020, and in the same month acquired a 100% equity interest in a freehold commercial property in London, "130 Wood Street," through two newly established 100% owned subsidiary companies, 130 Wood Street (No.1) Limited and 130 Wood Street (No.2) Limited.

Since the start of January 2020, the outbreak of coronavirus, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Directors do not believe there is any financial impact to the financial statements as at 31 December 2019 as a result of this non-adjusting subsequent event. However, the impact on the valuations of the investment property in the period since 31 December 2019 cannot currently be determined.

Supplier policy

Management considers the company's business relationships with suppliers, customers and other stakeholders as essential in achieving sustainable success and growth and is committed to making its best efforts in building good relationships with them.

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

Seiji Okinaga
Director

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

27 July 2020

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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Opinion

We have audited the financial statements of UD Europe Limited for the year ended 31 December 2019 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's report to the members of UD Europe Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; and
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

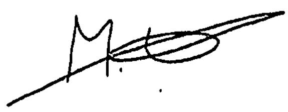
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

27 July 2020

Statement of Income and Changes in Retained Earnings for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	*3*	**5,044,812**	6,497,918
Cost of sales		**(10,000)**	(318,481)
Gross profit		**5,034,812**	6,179,437
Operating expenses		**(1,192,944)**	(1,359,908)
Disposal gain of investment property		**-**	2,012,053
Revaluation gain of investment property	*10*	**18,383,265**	8,681,854
Operating profit		**22,225,133**	15,513,436
Other interest receivable and similar income	*4*	**18**	31
Interest payable and similar expenses	*5*	**(919,291)**	(1,056,731)
Profit before taxation	*6*	**21,305,860**	14,456,736
Tax on profit	*8*	**(3,964,812)**	(4,166,742)
Profit for the financial year		**17,341,048**	10,289,994
Retained earnings at the beginning of the year		**65,515,918**	55,225,924
Retained earnings at the end of the year		**82,856,966**	65,515,918

The notes on page 12 to 22 form part of these financial statements.

Balance Sheet
as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible fixed assets	9	**34,561**	42,999
Investment property	10	**225,096,050**	185,421,488
		225,130,611	185,464,487
Current assets			
Debtors	11	**10,259,763**	10,113,579
Cash at bank and in hand		**1,288,860**	595,207
		11,548,623	10,708,786
Creditors: amounts falling due within one year	12	**(59,543,269)**	(40,317,253)
Net current liabilities		**(47,994,646)**	(29,608,467)
Total assets less current liabilities		177,135,965	155,856,020
Creditors: amounts falling due after more than one year	13	**(4,518,282)**	(4,518,588)
Deferred Tax	14	**(7,960,717)**	(4,021,514)
Net assets		**164,656,966**	147,315,918
Capital and reserves			
Called up share capital	15	**200**	200
Share premium account		**81,799,800**	81,799,800
Profit and loss account		**82,856,966**	65,515,918
Shareholder's fund		**164,656,966**	147,315,918

The notes on page 12 to 22 form part of these financial statements.

These financial statements were approved by the Directors of the UD Europe Limited on 27 July 2020 and were signed on its behalf by:

N. Okinaga

Seiji Okinaga
Director

Company registered number: 7056967

Notes to the financial statements
for the year ended 31 December 2019

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 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 International Financial Reporting Standards 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 Instruments 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.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments and investment property are measured at fair value.

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 Strategic Report on page 4. The Strategic Report on page 4 describes the Company's objectives, policies and exposure to market risk.

The directors have prepared the financial statements on a going concern basis. In making this determination the directors have considered the cash requirements of the Company for at least 12 months from the date of approval of the financial statements.

In this forecast the directors have taken account of the serious implications of the outbreak of coronavirus which has adversely impacted global commercial activities. The UK real estate market is no exception to this. The directors therefore have modelled a severe but plausible downside scenario in respect to the Company's cash needs for the next 12 months.

The results of this forecast indicate that the Company's cash needs will remain within the financing facility already provided by the group. Whilst the financing facility can be reviewed at any time and the group has not confirmed that it will continue to provide this facility for at least 12 months from the date of approval of these financial statements - the directors have considered the group's intentions and ability to continue to provide this facility and have no reason to believe the facility will not remain in place. In addition, the directors consider that in the unlikely event that this facility was withdrawn, the low gearing of the Company would mean that other sources of finance would be readily available.

The directors therefore consider that there is no material uncertainty that sufficient funding will remain available to enable the Company to allow it to continue as a going concern for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less 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.

1.4 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate parts.

The estimated useful lives are as follows:

- Equipment 3 years
- Furniture & fixtures 7 years

1.6 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.

Subsequent to initial recognition, investment properties are measured 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.

Investment property 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. Lease payments are subsequently accounted for as described at 1.10 below.

1.7 Impairment of financial assets

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.

1.8 Turnover

Rental income under operating leases is recognised 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.

Costs of lease incentives are also over the term of the lease as a reduction to the rental income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Leases as lessee

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.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

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. 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 investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it 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

Estimates and judgements are made in preparing the financial statements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Estimates – fair value of investment properties

The fair value of investment properties involves the use of valuation techniques and the estimation market rentals and yields. The estimates used are set out in note 10.

Judgements

There were no significant judgements made in the preparation of the financial statements.

3 Turnover

	2019	2018
	£	£
Rental income	**5,033,236**	5,708,418
Other income	**11,576**	789,500
	5,044,812	6,497,918

4 Other interest receivable and similar income

	2019	2018
	£	£
Interest receivable on bank deposits	**18**	31
	18	31

5 Interest payable and similar expenses

	2019	2018
	£	£
Loan interest	**515,596**	657,011
Finance lease interest	**399,695**	399,720
	919,291	1,056,731

Loan interest was payable to group undertakings.

Notes *(continued)*

6 Profit before taxation

Operating profit is calculated after charging the following items:

	2019	2018
Operating lease rentals	£	£
Office premises	**34,201**	32,949
	34,201	32,949

	2019	2018
Auditor's Remuneration	£	£
Audit of these financial statements	**39,000**	36,700
	39,000	36,700

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	
	2019	2018
Administration	1	1
Operational	1	1
	2	2

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Directors' remuneration	**246,764**	282,082
Wages and salaries	**162,222**	290,312
	408,986	572,394

Remuneration of the highest paid director was £246,764 (2018: £282,082).

Notes *(continued)*

8 Taxation

Analysis of charge in period

	2019	2018
	£	£
UK corporation tax		
Current tax on income for the period	**22,920**	239,009
Adjustments in respect of prior years	**2,689**	41,361
Total current tax	**25,609**	280,370
Deferred tax		
Originating and reversal of timing differences	**3,925,545**	3,918,655
Adjustment in respect of prior years	**13,658**	(32,283)
Total deferred tax	**3,939,203**	3,886,372
Tax on profit	**3,964,812**	4,166,742

Reconciliation of effective tax rate

	2019	2018
	£	£
Net profit before taxation	**21,305,860**	14,456,736
Current tax at 19.00 % *(2018: 19.00%)*	**4,048,113**	2,746,780
Effects of:		
Expenses not deductible for tax purposes	**30,097**	23,466
Non-taxable income	**(131,747)**	(150,005)
Indexation allowance for investment properties	**15,660**	2,352,578
Effects of rate changes	**-**	(456,211)
Over/under provision in prior years	**2,689**	36,888
Others	**-**	(386,754)
Tax on profit	**3,964,812**	4,166,742

Factors that may affect future tax charges

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Notes *(continued)*

9 Tangible fixed assets

	Equipment	Furniture & Fixtures	Total
	£	£	£
Cost			
Balance at 1 January 2019	2,820	63,303	66,123
Addition	-	3,704	3,704
Balance at 31 December 2019	**2,820**	**67,007**	**69,827**
Depreciation			
Balance at 1 January 2019	2,634	20,490	23,124
Depreciation charge for the year	186	11,956	12,142
Balance at 31 December 2019	**2,820**	**32,446**	**35,266**
Net book value			
At 1 January 2019	186	42,813	42,999
At 31 December 2019	**-**	**34,561**	**34,561**

10 *Investment property*

	2019	2018
	£	£
Fair value at 1 January	185,421,488	249,273,245
Additions	21,291,297	5,966,389
Disposals	-	(78,500,000)
Net gain from fair value adjustments	18,383,265	8,681,854
Fair value at 31 December	**225,096,050**	**185,421,488**
Historical cost net book value at 31 December	**181,147,269**	**164,537,431**

The carrying amount of leased investment property was £97,352,676 (2018: £59,075,199). The leased property secures lease obligations (see note 13).

Investment property fair value is based on a valuation by an external 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 rental 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 addition for the period of £21,291,297 consists of £20,861,694 for the investment properties cost additions and £429,603 for the deferred tenants' lease related costs. During the period, the construction in progress from the previous period of £8,176,415 was converted to investment property cost additions upon completion, but this addition has been netted off in the above table.

The range of yields and estimated rental value applied are 4.1% - 4.8% (2018: 4.3% - 5.0%) and £62 - £68 square feet (2018: £61 - £68 square feet) respectively.

Notes *(continued)*

Fair value reconciliation

The fair value of investment properties based on the valuation report by an external valuer for reporting purposes is calculated by adjusting the following items:

	2019 £	2018 £
An external valuer's valuation at 31 December 2019	228,900,000	186,100,000
Lease incentives presented separately in debtors	(8,322,232)	(5,197,100)
Finance Lease added back	4,518,282	4,518,588
Fair value estimate for reporting purposes	**225,096,050**	**185,421,488**

11 Debtors

	2019 £	2018 £
Trade debtors	-	728,126
Amounts owed by group undertakings	**806,140**	796,408
Other debtors	**563,781**	1,758,974
Prepaid corporation tax	**365,215**	-
Prepayments and accrued income	**8,524,627**	6,830,071
	10,259,763	10,113,579

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	**532,520**	933,557
Accruals and deferred income	**2,747,211**	2,138,907
Corporation tax	-	139,176
Other creditors	**176,758**	20,616
Loans from group undertakings	**56,086,780**	37,084,997
	59,543,269	40,317,253

The loans from group undertakings are from NTT Group Global Cash Management Service and were withdrawn within the credit line. The interest rate charged is a floating rate based on a relevant market rate and a specific spread.

13 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Finance lease liabilities	**4,518,282**	4,518,588
	4,518,282	4,518,588

Notes *(continued)*

Finance lease liabilities

The future minimum finance lease payments are as follows:

	2019	2018
	£	£
Less than one year	**400,000**	400,000
Between one and five years	**1,600,000**	1,600,000
More than five years	**55,100,000**	55,500,000
Total gross payments	**57,100,000**	57,500,000
Less: finance charges	**52,581,718**	52,981,412
	4,518,282	4,518,588

14 Deferred Tax

	2019	2018
	£	£
At beginning of year	**4,021,514**	143,728
Charged to profit or loss	**3,939,203**	3,877,786
At the end of year	**7,960,717**	4,021,514

The deferred tax consists of:

	2019	2018
	£	£
Deferred tax liabilities		
Accelerated capital allowance	**1,858,441**	1,346,957
Revaluation of investment properties	**6,082,303**	2,650,590
Deferred finance costs	**19,973**	23,967
	7,960,717	4,021,514

15 Called up share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
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:

	2019	2018
	£	£
Less than one year	**9,502,256**	5,032,033
Between one and five years	**37,905,172**	20,128,131
More than five years	**75,764,124**	36,490,807
	123,171,552	61,650,971

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:

	2019	2018
	£	£
Net loan redemptions	**19,001,783**	(72,658,296)
Interest payable and similar expenses	**519,596**	657,011

At the end of period the balances outstanding were:

	2019	2018
	£	£
Loans	**56,086,780**	37,084,997

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.

19. Post balance sheet events

The company increased its share capital by £58 million in March 2020, and in the same month acquired a 100% equity interest in a freehold commercial property in London, "130 Wood Street," through two newly established 100% owned subsidiary companies, 130 Wood Street (No.1) Limited and 130 Wood Street (No.2) Limited.

Since the start of January 2020, the outbreak of coronavirus, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Directors do not believe there is any financial impact to the financial statements as at 31 December 2019 as a result of this non-adjusting subsequent event. However, the impact on the valuations of the investment property in the period since 31 December 2019 cannot currently be determined.